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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  
AUGUST 31, 2022

REPORTED BY: Jillian M. Sumner  
CSR NO. 13619

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APPEARANCES

For the Board of  
Equalization:

Honorable Malia M. Cohen  
Chair

Honorable Mike Schaefer  
Vice Chair

Honorable Ted Gaines  
First District

Honorable Antonio Vazquez  
Third District

Anthony Epolite  
Appearing for Betty T.  
Yee, State Controller  
(per Government Code  
Section 7.9)

For the Board of  
Equalization Staff:

Yvette Stowers  
Executive Director

Henry Nanjo  
Chief Counsel  
Legal Department

David Yeung  
Deputy Director  
Property Tax Department

Cathy Taylor  
Chief  
Board Proceedings Division

Mary Cichetti  
Clerk  
Board Proceedings Division

APPEARANCES CONTINUED

Speakers:

Fred Blackwell  
President & CEO  
San Francisco Foundation

Beatriz Olvera Stotzer  
Project Co-Founder  
Women's Law Center &  
New Economics for Women  
CEO

NEWCapital, LLC  
Member  
Women and Girls Initiative  
Governing Council  
County of Los Angeles

Sean Spears  
President & CEO  
Community Housing Works  
Former Assistant General  
Manager  
Housing Development  
City of Los Angeles Housing  
and Community Investment  
Department

Deborah Norwood Ruane  
Founder & Managing Partner  
Norwood Development Strategies  
Former Executive Vice  
President  
Chief Strategy Officer  
San Diego Housing Commission

Seth Gorrie  
Principal  
Middlemarch Fund  
San Diego, California

V. Fei Tsen  
Founder, Managing Partner  
Windflower Properties

Michael E. Johnson  
President & CEO  
UrbanCore Development

APPEARANCES CONTINUED

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Speakers:

William A. Witte  
Chairman & CEO  
Related California

Marc Stivers  
Director of Advocacy  
California Housing Partnership

Shelly Scott  
Assessor-Recorder-Clerk  
County of Marin

Matthew Grundy  
Deputy Mayor  
City of Fresno

Ann Sewill  
General Manager  
Housing Department  
City of Los Angeles

Pat Lock Dawson  
Mayor  
City of Riverside

Edward Enriquez  
Chief Financial Officer &  
Interim Assistant City Manager  
City of Riverside

Sue Himmelrich  
Mayor  
City of Santa Monica

Tara Barauskas  
Executive Director  
Community Corporation of  
Santa Monica

Gil Cedillo  
Councilmember & Chair  
City Council Housing Committee  
City of Los Angeles

APPEARANCES CONTINUED

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Speakers:

Pippin Dew  
Councilmember  
City of Vallejo  
  
Christina Ratcliffe  
Planning and Development  
Services Director  
City of Vallejo  
  
Michael Nimon  
Economic Development Director  
City of Vallejo  
  
Tomas Oliva  
Mayor  
City of El Centro  
  
Louise Carroll  
Partner  
Katten Muchin Rosenman  
Former New York City Housing  
Preservation and Development  
Commissioner

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STATE BOARD OF EQUALIZATION  
450 N STREET, SACRAMENTO  
AUGUST 31, 2022

---oOo---

MS. COHEN: Good morning, ladies and gentlemen.

Are we ready to get started?

You ready?

MS. CICHETTI: Yes.

MS. COHEN: All right. Let's call this meeting to order.

Could I have a binder, notes?

All right. Ladies and gentlemen, good morning. I want to call to order our regularly-scheduled Board of Equalization meeting.

Ms. Cichetti, could you please call the roll.

MS. CICHETTI: Chair Cohen.

MS. COHEN: Present.

MS. CICHETTI: Vice Chair Schaefer.

MR. SCHAEFER: Present.

MS. CICHETTI: Mr Gaines.

MR. GAINES: Present.

MS. CICHETTI: Mr. Vazquez.

MR. VAZQUEZ: Present.

1 MS. CICHETTI: Mr. Epolite.

2 MR. EPOLITE: Present.

3 MS. COHEN: We have a quorum. Thank you.

4 Will you please join me by standing up and  
5 placing your right hand over your heart and repeating  
6 the Pledge of Allegiance.

7 (Whereupon the Pledge of Allegiance was  
8 recited.)

9 MS. COHEN: All right. Good morning.

10 I'm so excited. We've got a wonderful day  
11 planned for today's -- our work -- our work group  
12 meeting.

13 I first want to just check in with  
14 Ms. Cichetti.

15 Are there any announcements?

16 MS. CICHETTI: No, just -- we just want to  
17 make sure that we're announcing that we're opening up  
18 the Property Tax Abatement Board Work Group today.

19 MS. COHEN: All right. Thank you.

20 So I'd like to start with opening remarks.

21 We'll start with Mr. Vazquez.

22 MR. VAZQUEZ: Good morning. Good morning.

23 Good morning to the Members here, as well as  
24 those that made the drive up here and will be showing  
25 up in person, and for many of those that are online



1 and will be joining us today.

2 I know in looking at the list of speakers  
3 and the talent that we have this morning, or all day  
4 today pretty much, there's a lot of very powerful  
5 folks in the field of affordable housing.

6 And I know many of them have very tight and  
7 busy schedules, so I really appreciate the fact that  
8 they're -- they've -- they're giving up some of their  
9 time to be -- to join us today.

10 Looking forward to many of the presentations  
11 as we look at ways that we can help hopefully up here  
12 on the Board, either through tax abatements or  
13 property tax, or the possible tax credits that we're  
14 looking at for those that are interested in getting  
15 involved with the affordable housing demand in this  
16 state of California.

17 I want to thank Madam Chair and your staff,  
18 and then all the BOE staff for putting this together.  
19 Because I know just the logistics of this is very  
20 difficult and time-consuming. So I just wanted to  
21 give a little shout out and kudos to everybody that  
22 helped put this all together.

23 With that, I'll turn it back over to  
24 Madam Chair.

25 MS. COHEN: Thank you.

1           Next, we'll hear from the Executive  
2 Director, Miss Yvette Stowers.

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

5           I'd like to first thank the Board for their  
6 leadership in exploring ways the property tax system  
7 could be utilized to incentivize affordable housing  
8 in California.

9           This work group on property tax abatement  
10 provides a valuable form for public discussion with  
11 taxpayers, stakeholders, and state and local  
12 officials on this very complex issue.

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

16           As the BOE co-administers the Welfare  
17 Exemption, we have a critical role in how we can  
18 alleviate -- alleviate the housing crisis.

19           Finally, I'd also like to thank our esteemed  
20 group of presenters for taking time out of their busy  
21 schedule to participate today. I am very much  
22 looking forward to today's discussion.

23           Thank you.

24           MS. COHEN: Great. Thank you very much for  
25 the opening remarks, colleagues.

1 I want to officially welcome everyone today  
2 to the second Board of Equalization Property Tax  
3 Abatement Work Group Meeting.

4 Those that are joining online and in person,  
5 we are happy to see you and to hear from you today.

6 It's important that we take a moment to  
7 acknowledge California's unprecedented housing  
8 crisis, which actually requires us to make available  
9 2.5 million additional units of housing by 2030 to  
10 close the gap, and a million must -- and a million  
11 dollars for affordability.

12 We established the work group to explore  
13 whether California should consider property tax  
14 abatements to incentivize housing developments here  
15 in our home state.

16 We held our first meeting with an emphasis  
17 on highlighting California's current housing crisis,  
18 and the challenges in developing marketing -- market  
19 rate missing middle, as well as affordable housing.

20 We also heard testimony about National, as  
21 well as California incentives, that use property tax  
22 abatements to help incentivize and spur housing.

23 Today's focus is going to be a little bit  
24 different. We're going to hear from developers,  
25 county assessors, who will take some time to address

1 the impacts of property tax abatements and  
2 stimulating the housing development.

3 We're also going to hear from mayors and  
4 councilmembers, as well as chairs of the local Board  
5 of Supervisors.

6 And we have a very distinguished line up of  
7 local electives that will address whether property  
8 tax abatements could make a difference in  
9 incentivizing housing.

10 And, of course, as I stated last month, we  
11 have this discussion without -- we cannot have this  
12 discussion without continuing to examine the  
13 importance of ensuring equity in development of  
14 housing and how to use property tax -- how to use  
15 property tax abatements, how that could possibly be  
16 an important tool in advancing equity here in  
17 California.

18 I want to take a moment just to acknowledge  
19 all the people that put together today's  
20 conversation: My staff, my colleague's staff, as well  
21 as the Board of Equalization. We appreciate your  
22 time and energy in making this conversation happen.

23 So, with that, I'd like to turn the meeting  
24 back over to our Commission Secretary, Ms. Cichetti.

25 Please call the next item.

1 MS. CICHETTI: Good morning.

2 My understanding is we are taking one item  
3 out of order. We are going to take item -- we're  
4 going to take up item No. 3 first, Overview of  
5 Current Property Tax Incentives in California, and  
6 then circle back to item No. 2, "The Color of  
7 Housing."

8 MS. COHEN: Okay.

9

10 **ITEM NO. III**

11

12 MS. CICHETTI: With that being said,  
13 Item III on the Board Work Group agenda is Overview  
14 of Current Property Tax Incentives in California.

15 The speaker is Mr. David Yeung,  
16 Deputy Director, State Board of Equalization,  
17 Property Tax Department.

18 MS. COHEN: Good. Thank you.

19 Good morning, Mr. Yeung. Welcome.

20 MR. YEUNG: Thank you. Thank you very much.

21 Good morning, Chair Cohen, Honorable Members  
22 of the Board, and guests.

23 As already mentioned, my name is  
24 David Yeung. I'm the Deputy Director of the  
25 Property Tax Department.

1           So just a brief little overview, during the  
2 July Board Meeting we heard Work Group -- the Work  
3 Group heard testimony from the governor's office and  
4 various agency's on California's needs for additional  
5 housing, especially in the low and moderate income  
6 segments.

7           The Work Group also heard testimony from  
8 developers on incentives they need in order to spur  
9 such additional construction.

10          And, lastly, we heard -- the Work Group  
11 heard from housing advocates looking to promote  
12 equity in low and moderate income housing, especially  
13 for communities of color.

14          So with that, what I will do this morning is  
15 I will give you a brief overview of the current  
16 property tax incentives for affordable housing. I  
17 will start with a review of the Constitutional  
18 authorities, followed by the statutory provisions,  
19 and, lastly, I will present a couple legislative  
20 proposals to watch.

21          So next slide, please.

22          So Article XIII, Section 1 of the California  
23 Constitution subjects all property to taxation.

24          Section 2 authorizes the Legislature to  
25 exempt all forms of tangible property. But it does

1 not provide for anything that is real property.

2 So where -- the Sections 3, 4 and 5 provide  
3 the Constitutional authority to exempt real property.

4 So Section 3 lists specific types of  
5 property that are exempt from taxation. They include  
6 things like state-owned property, local  
7 government-owned property, certain non -- certain  
8 cemetery -- nonprofit cemeteries and growing crops.

9 Section 4 provides the Legislature with the  
10 authority to create the Disabled Veterans' Exemption  
11 and the Welfare Exemption, which I will cover a  
12 little bit more in my presentation.

13 And Section 5 provides the authority to  
14 exempt certain buildings under construction land and  
15 equipment that are under the Welfare Exemption too.

16 Next slide, please. And we can move onto  
17 slide three.

18 So the Welfare Exemption, as I mentioned,  
19 Article XIII, Section 4, the Legislature has the  
20 Constitutional authority to exempt property owned by  
21 a qualifying organization, a nonprofit, and used for  
22 specific purposes.

23 Those specific purposes are for religious,  
24 scientific, and charitable -- and charitable --  
25 religious, charitable and hospital purposes.

1           That was put in in 1944, and implemented  
2           under Section 214 of the Revenue and Taxation Code.  
3           And when they actually implemented that, they  
4           included one other purpose, and that is the  
5           scientific part of it.

6           So, in general, the Welfare Exemption is a  
7           available organization that are formed and operate  
8           exclusively for those qualifying four purposes;  
9           scientific, hospital, religious and charitable. And  
10          the property must be used exclusively for those  
11          purposes also. Both the organization and the  
12          property has to be used for those purposes.

13          That exemption is jointly administered by  
14          the Board and local county assessors. So the Board  
15          reviews the qualifications of the entity, the local  
16          assessor takes a look at the actual property and how  
17          it's used. So it's a co-administered program.

18          Next slide. We can move onto page 4.

19          So 214 actually provides the general  
20          Welfare Exemption. Section A provides broad, general  
21          provisions that if property is used, owned and used  
22          for those purposes, religious, hospital, scientific,  
23          and charitable, it can be exempt.

24          We move down to 214(f). 214(f) provides a  
25          very specific exemption for -- for low-income



1 housing. (f) exempts property used exclusively for  
2 housing for elderly and handicapped or disabled  
3 families.

4 214(g) is the general one that provides it  
5 for low-income housing. And 214(g) exempts property  
6 use exclusively for low-income rental housing.

7 214(g) provides the exemption for property  
8 used exclusively for low-income rental housing by  
9 household's median prescribed income limits. In some  
10 cases, the properties are restricted -- in most  
11 cases, the property has to be restricted by an  
12 agreement or a deed restriction, designating the  
13 minimum number of units to be rented or to qualified  
14 household that meets certain income levels.

15 The qualifying claimant must receive  
16 low-income housing tax credits, or some form of  
17 government financing.

18 Those that do not use tax credits or  
19 government financing can fit under this provision  
20 also, but their exemption is limited to \$20 million  
21 in assessed value.

22 And, finally, there is 214(h), that exempts  
23 property use exclusively for emergency or temporary  
24 shelters. So 214 provides the general exemption for  
25 this type of housing. This is the incentive that we

1 currently have.

2 So I will now move onto page 5. If you  
3 could be so kind to -- okay.

4 So Revenue and Taxation Code 214.15 provides  
5 that the holding of rent -- of real property by a  
6 nonprofit corporation for future construction of  
7 affordable housing is a charitable purpose.

8 So basically what this does is that it is  
9 already constructive for low-income housing, for  
10 rental low-income housing. It can be exempt under  
11 214. 214.15 provides the exemption for the holding  
12 period. So as they acquire the property, before they  
13 build it, and during construction, they can also  
14 qualify for the Welfare Exemption.

15 214.18 does the same thing for property  
16 owned by -- basically for community land trust. They  
17 had -- they had legislation put in that also includes  
18 them in that Welfare Exemption.

19 If we can move to page 6.

20 As I mentioned earlier, the Welfare  
21 Exemption under 214 requires the property be owned by  
22 a qualifying nonprofit.

23 In the cases where it is not a qualifying  
24 nonprofit that actually owns real property,  
25 Section 236 can also provide an exemption.

1           There is one qualifying issue with that, is  
2 that they -- they must have another qualifying  
3 nonprofit basically lease that property. So if a  
4 non-qualifying entity owns it, they have to find  
5 basically a partner to lease it under that is a  
6 qualifying nonprofit.

7           So with that, there has to be a long-term  
8 lease of 35 years or more. But if they are able to  
9 do that, they will also fit under -- basically get a  
10 Welfare Exemption on that property too.

11           If I could have you move onto page 7.

12           Thank you.

13           So those are the exemptions -- those are the  
14 Welfare Exemptions available for the ownership of  
15 this type of property for rental housing and for --  
16 also for during this type of housing for during the  
17 construction period.

18           I will move onto other property tax  
19 incentives now that affect people after it's been  
20 built, or after it's been sold.

21           So under 402.1, generally, 402.1, you have  
22 to consider any type of governmental restriction on  
23 property when you value it. So the assessor, when  
24 they take a look at this type of restrictive  
25 property, if it's for low-income housing, they have

1 to consider it. They have to consider it, especially  
2 if it's restricted by a governmental restriction.

3 There are two exceptions to that. There is  
4 a -- there is a 402.1(a)(10) expands that a little  
5 bit. And the assessor must also consider  
6 restrictions placed on by entities that basically  
7 fall under -- under that. I like to call that the  
8 Habitat for Humanity model that was put in for that,  
9 but is not solely for habitat.

10 But if they're restricted by a  
11 nongovernmental agency, then they must also consider  
12 that -- that restriction. So, in essence, it  
13 actually lowers their assessment by a little bit,  
14 because of the restriction.

15 MR. GAINES: Question of clarification  
16 through the Chair.

17 MS. COHEN: Please. Yes.

18 MR. GAINES: So it says here in the wording,  
19 "assessors to consider use."

20 MR. YEUNG: Right.

21 MR. GAINES: So is that -- you know how  
22 sometimes language will say "may" or "shall"? So is  
23 it really that they must accept it, or can they  
24 reject it?

25 MR. YEUNG: So the answer is the language is

1 shall. So they have to consider its use. But if you  
2 read 402.1 in its totality, there are certain things  
3 that are rebuttal.

4 So you have to -- they have to consider its  
5 use as restricted. If it's designated for and  
6 restricted for low-income housing, they have to  
7 consider that.

8 But there is a -- there are presumptions,  
9 the remainder of 214 that says that restriction may  
10 or may not have an effect on its fair market value.

11 So 402.1 is a statute that requires you to  
12 take a look at the value as restricted. It's the  
13 fair market value, but as restricted. So it is a  
14 "shall," but there are parts of the law that --

15 MR. GAINES: Great. Thank you.

16 MR. YEUNG: And then if I can have you move  
17 onto page 8.

18 And the other portion of 402.1 I wanted to  
19 highlight is actually 402.1(a)(11). (a)(11)  
20 basically does the same thing for community land  
21 trust property owned by community land trust.

22 They are also considered restricted, and the  
23 assessor shall take -- consider its use as  
24 restricted. So it basically follows the -- follows  
25 the Habitat for Humanity model.

1           So that covers restrictive.

2           So next, page 10. We're already there.

3           There are a couple of other property tax  
4 exemptions that may help affordable housing. The  
5 first one is a very general exemption, and that is  
6 the Homeowners' Exemption.

7           So on your primary residence, you are  
8 allowed a \$7,000 exemption off of your assessed  
9 value. So whatever your assessed value is, you can  
10 claim the Homeowners' Exemption for your primary  
11 residence, and get \$7,000 off. It helps, but it's a  
12 smaller exemption.

13           If I may have you move onto page 11.

14           There is another --

15           MR. SCHAEFER: Excuse me. Excuse me.

16           MR. YEUNG: Yes.

17           MR. SCHAEFER: When was the \$7 put into  
18 effect?

19           MS. COHEN: \$7,000.

20           MR. YEUNG: The \$7,000 exemption?

21           I believe it's been in effect for quite a  
22 while. It has not been raised in many, many years.  
23 I believe at least several decades.

24           MR. SCHAEFER: So it's been in effect since  
25 you could afford a house?

1           MR. YEUNG:  Yes.

2           There is another exemption I wanted to bring  
3 up, and that's the Veterans' Exemption.  The  
4 Veterans' Exemption is actually a little bit less  
5 than the Homeowners' Exemption.  It's only \$4,000.  
6 And there are some really -- there are some real  
7 restrictions on getting the Veterans' Exemption.  You  
8 can't own property that's valued more than \$5,000, or  
9 \$10,000 if you're married.

10           So that is two exemptions available.  They  
11 are both relatively small.

12           And then the last exemption I wanted to  
13 bring up is the Disabled Veterans' Exemption.  So  
14 there are basically two levels of the Disabled  
15 Veterans' Exemption.  The first one is called the  
16 Basic Disabled Veterans.  If you're 100 percent  
17 disabled and rated as such, you can apply for the  
18 Disabled Veterans' Exemption.

19           The basic one lets you exempt \$100,000 in  
20 assessed value.  So it's starting to be a significant  
21 exemption.  That \$100,000 is factored up every year.  
22 Since its implementation, for 2023, that basic  
23 \$100,000 now is actually factored up to \$161,083.  So  
24 through time, that basic exemption is over \$160,000  
25 now you can get an exemption off of your primary

1 residence.

2 The other part of that exemption is actually  
3 a Low-Income Disabled Veterans' Exemption. So if you  
4 meet the income qualifications, then you may be  
5 eligible for this one. It's also known as the  
6 \$150,000 exemption.

7 As with the first one, with factoring over  
8 time, the Low-Income Disabled Veterans' Exemption now  
9 is actually \$241,627. So it's over \$240,000 with  
10 factoring. The current income limit to qualify for  
11 that is just a little bit over \$72,000.

12 So there is a Disabled Veterans' Exemption  
13 that's a little more advantageous, a low income one,  
14 and a basic one, which basically provides -- the  
15 basic one, somewhere over -- over \$160,000 off of  
16 your assessed value, and the low-income one is over  
17 \$240,000.

18 So, with that, if you can move onto  
19 page 13.

20 So there are five bills I wanted to  
21 highlight and bring before the Board that may affect  
22 how low-income housing is treated, tax-wise, in  
23 California right now.

24 The first one is Assembly Bill 1206. And  
25 that is an Affordable Housing Bill. It is sponsored



1 by the community land trust. And what that actually  
2 does is that it raises -- when you qualify for  
3 residences that qualify initially, in order to get  
4 one of these units, they have to be below 80 percent  
5 of the median area income.

6 And as they -- if they surpass that, they're  
7 no longer qualified at under-income under the current  
8 law.

9 If this bill passed -- if this bill gets  
10 signed into law, it will raise it up to 140 percent  
11 area median income.

12 So if a tenant qualifies initially, and then  
13 makes more money, they can make up to 140 percent of  
14 area median income and still qualify.

15 That means the owner of the property still  
16 gets an exemption on that unit. Without this, it  
17 would not be so for a community land trust folks.

18 MR. VAZQUEZ: What's the dollar figure on  
19 140 percent?

20 MR. YEUNG: It depends on the area.

21 In the Bay -- I believe in Sacramento, area  
22 median income is somewhere around \$100,000.

23 In the Bay Area, maybe higher, and then some  
24 areas are lower.

25 MR. VAZQUEZ: And 140 percent of that.

1           MR. YEUNG: Yeah. On the high-dollar  
2 counties, a family could make up to \$140,000 and  
3 still qualify for it. Meaning, the developers and  
4 the owners of that rental property can keep the  
5 exemption on that unit.

6           MR. GAINES: That's for a family of four, is  
7 that what it's based on?

8           MR. YEUNG: I believe it's on the top of the  
9 scale. I don't know if it's a family of four or  
10 greater.

11          MR. GAINES: Okay.

12          MR. YEUNG: So I believe it's right around  
13 there. And that's for a high-dollar county.

14          MR. GAINES: Yeah. Thank you.

15          MR. YEUNG: Of course.

16                 The next piece of Legislation -- so that  
17 actually has made it through the legislative process.  
18 It is forwarded to the Governor to sign into law.

19                 So the next one I wanted to highlight is  
20 also Assembly Bill 1933. We had a little bit of  
21 discussion on that yesterday.

22                 And what that actually does is that it  
23 expands -- I talked about 214.15. It -- it -- this  
24 law proposes to create 214.15.1. Basically it  
25 expands the exclusion for property that is being held

1 and developed for low-income housing.

2 So, once again, that has gone through the  
3 legislative process. It is now also with the  
4 Governor to sign for his action.

5 Third bill I wanted to highlight was -- is  
6 Assembly Bill 2651. This bill proposes to extend the  
7 same Welfare Exemption for property owned by a  
8 community land trust while it is being held for  
9 development or under construction.

10 Currently, that portion of the exemption  
11 would sunset on January 1 of 2025. If this bill  
12 becomes law, it will extend it for two years. It  
13 will extend it to 2027.

14 And then, lastly, I have two bills that I  
15 will just mention briefly. Because they did not make  
16 it through the legislative process, and they are not  
17 in consideration anymore for this year for this  
18 legislative session.

19 And that is Assembly Bill 1357. This bill  
20 would have basically provided a Disabled Veterans'  
21 Exemption for the full value, the full assessed value  
22 of the home. That didn't make it. So it's not in  
23 consideration anymore.

24 And the very last bill that I want to  
25 mention is the Senate Bill 1456. And I mentioned

1 under 214(g) that if a developer does not use either  
2 tax credits or government financing, then they can  
3 still fit the property under the Welfare Exemption,  
4 but there's a \$20 million cap on assessed value.

5 This bill, had it made it through, would  
6 have removed the \$20 million cap. So that is no  
7 longer in consideration either.

8 So with that, we've talked about the  
9 Constitutional authorities that provide the ability  
10 to exempt real property.

11 We talked about 214 that provides a general  
12 exemption. 214.15 and .18 that provides exemptions  
13 for properties that are being held and under  
14 construction.

15 And we talked about five legislative  
16 proposals, three that are making its way through, and  
17 the other two are no longer -- are no longer in  
18 contention.

19 With that, that concludes my presentation.

20 I'm available for any questions you may  
21 have.

22 MS. COHEN: Great. Thank you. I appreciate  
23 your presentation.

24 Mr. Schaefer.

25 MR. SCHAEFER: Mr. Yeung, we talked about

1 the \$4,000 Veterans' Exemption.

2 MR. YEUNG: Right.

3 MR. SCHAEFER: Which I think is ridiculous  
4 by its size, when the other exemptions that we  
5 respect are 100,000 or more.

6 And then I'm appalled to hear that if the  
7 veteran happens to own \$10,000 worth of property, he  
8 or she cannot qualify for the 4,000. Well, 10,000  
9 worth of property may be an average used car.

10 Is anybody speaking up for the veterans?  
11 I'm not a legislator, or I'd get out my pen.

12 I would like to see you consider that we  
13 bring this attention to some of the legislators that  
14 we work with. And I think it'd be very popular by  
15 both parties to come into the year 2022.

16 MR. YEUNG: Thank you. I agree with you.

17 The standard Veterans' Exemption, not the  
18 disabled, but the standard Veterans' Exemption, it  
19 is -- the value limit on the exemption amount is  
20 relatively low, and the value limit in total property  
21 you own is very restrictive. As such, it is not used  
22 much in the state. The standard --

23 MR. SCHAEFER: Well, of course it's not  
24 used. It's worthless.

25 MS. COHEN: Hold on a minute.

1           Because we're getting off topic, and we need  
2 to keep moving forward.

3           But, Mr. Schaefer, basically that's our job.  
4 Our job is to go to the members of the Legislature.  
5 We can start with your representatives down from the  
6 Senate and the Assembly. But that's our job to go  
7 ahead and advocate and --

8           MR. SCHAEFER: You're right. You're right.  
9 I stand corrected. And I want that to be my job.

10          MS. COHEN: So, Mr. Yeung, we appreciate  
11 your presentation.

12          Mr. Vazquez has a question, then we're going  
13 to move on to the next speaker.

14          MR. YEUNG: Of course.

15          MR. GAINES: Can I ask one, too.

16          MS. COHEN: Yes.

17          MR. VAZQUEZ: Just real quick.

18          Thank you for your presentation. I was  
19 interested in -- you mention 402.1 a couple times.

20          And on the -- when they use, I guess, a  
21 nonprofit, basically, a strict limit to the  
22 low-income housing by the city or the county, is  
23 there a presumption that the property is restricted  
24 under Section 402.1, and the value should form to any  
25 other like properties?

1           MR. YEUNG:  If it's restricted by a city or  
2 governmental agency, that, in our opinion, the  
3 Board's opinion, has always been that if it's a  
4 governmental restricted, they should and shall take  
5 that into consideration.  So the answer is yes.

6           MR. VAZQUEZ:  And then my last one is  
7 just -- and what is the def -- you touched on it, but  
8 what is your definition of a regulatory agreement?

9           MR. YEUNG:  A regulatory agreement is an  
10 agreement basically that states how many units that  
11 will be affordable housing, what the rental rates  
12 will be, what the criteria, and for screening tenants  
13 and whatnot are.

14           So each one of them is -- they can be --  
15 they can be unique to each development and each  
16 property.  But, in general, it is restrictions upon  
17 income level's use and whatnot.

18           MR. VAZQUEZ:  So they're somewhat customized  
19 to the area?

20           MR. YEUNG:  Somewhat customized to the area,  
21 and somewhat to the specific development.

22           MR. VAZQUEZ:  Thank you.

23           MS. COHEN:  Thank you.

24           All right.  Senator.

25           MR. GAINES:  I just wanted to go back to the

1 exemption issue.

2 I thought Member Schaefer made a great point  
3 on the veterans' issue in trying to increase the  
4 exemption. We do need to work through the  
5 Legislature on that.

6 I voted on many of those when I was in the  
7 Legislature, and we just weren't able to get it  
8 through.

9 Another related aspect is the \$7,000  
10 Homeowners' Exemption.

11 MR. YEUNG: Yes.

12 MR. GAINES: And this varies dramatically  
13 from state to state. For instance, I was just  
14 looking up the state of Idaho. I did a Google search  
15 on that. And they're showing Homeowners' Exemption  
16 is 50 percent of the value of the home, and up to one  
17 acre of land, with a maximum of \$125,000. And their  
18 housing costs, you know, while they've been  
19 increasing in the Boise region and other parts of the  
20 state, it is still a lot cheaper to buy a home there  
21 than it is here in California.

22 So I think there's a lot that we can do that  
23 we can advocate for as a Board in terms of trying to  
24 figure out what our priorities are, and trying to  
25 provide relief on both fronts, both on the rental



1 front for folks, but also on a homeownership.

2 Thank you.

3 MS. COHEN: Great. Thank you.

4 Mr. Yeung, appreciate you and your  
5 perspective.

6 MR. YEUNG: Thank you.

7 MS. COHEN: We are going to keep moving  
8 forward.

9 Ms. Cichetti, could you call the next  
10 speaker?

11

12 **ITEM NO. II**

13

14 MS. CICHETTI: The next item on today's  
15 Board Work Group agenda is "The Color of Housing:"  
16 Systematic Racism, Equity, and Access to Capital and  
17 Financing.

18 The first speaker on this is  
19 Mr. Fred Blackwell, President and CEO, San Francisco  
20 Foundation.

21 MS. COHEN: Mr. Blackwell, thanks for making  
22 the trek up. It's good to see you.

23 Ladies and gentlemen, this is a legend in  
24 the space. We're lucky to have him, and I've been  
25 looking forward to your presentation.

1           You may begin.

2           MR. BLACKWELL: Thank you, Chairperson  
3 Cohen.

4           And thank you to the Members of the  
5 committee.

6           It's a pleasure to be with you all today,  
7 and really want to applaud you all for taking up this  
8 issue. It's a really important issue in my  
9 community, which is the San Francisco Bay Area. But  
10 as you know, it is a really important issue for the  
11 state of California as well.

12          So it's a pleasure to be here, and thank you  
13 for inviting me to offer a little bit of perspective.

14          As the Chair said, I'm Fred Blackwell. I am  
15 the CEO of the San Francisco Foundation.

16          We are a 75-year-old community foundation  
17 serving the Bay Area. We're the San Francisco  
18 Foundation, but we have a regional footprint in the  
19 Bay. So in the East Bay, we are in Alameda and  
20 Contra Costa Counties, and along the coast, Marin,  
21 San Mateo and San Francisco Counties.

22          We have about \$2 billion of assets under  
23 management. Probably a little bit less today after  
24 the markets. But that work is really guided by a  
25 kind of long-standing focus in on making the Bay Area

1 a better place to live, work and play.

2 And we've been pretty consistent in our  
3 history in being kind of a social justice oriented  
4 grantmaker in the Bay Area.

5 In 2015 we actually kind of reorganized our  
6 foundation to do all of its work guided by  
7 North Star, that's about creating a greater degree of  
8 racial equity and economic inclusion in the region.

9 And we did that in response to both what we  
10 were hearing from the communities we were serving,  
11 and to the data that we were seeing. I mean, the  
12 data at the time, basically what we were experiencing  
13 in the Bay Area, and what people were expressing to  
14 us, was that there's a tremendous amount of kind of  
15 prosperity, economic growth, and wealth being  
16 generated in the region, and access to it was  
17 limited. And for far too many people, the access was  
18 limited based on where they lived, what their  
19 families' economic status might be, and something as  
20 simple as their race and/or ethnicity.

21 And since that time, and shortly after we  
22 developed that North Star, we developed a pretty  
23 comprehensive focus in on housing. And we did that  
24 in response to the data we were seeing, and, again,  
25 the things we were hearing from the community.

1           We held a series of town hall meetings  
2 throughout the Bay Area, and people were pretty  
3 consistently talking about concerns about  
4 displacement, concerns around homelessness, concerns  
5 around housing affordability, and concerns around  
6 gentrification and displacement.

7           So we decided to respond to that, and we  
8 decided to respond in a way that I'll characterize as  
9 kind of an all-in approach. So we are making grants  
10 to affordable housing developers at the San Francisco  
11 Foundation. We are making loans for affordable  
12 housing production. We are using our convening power  
13 to bring together stakeholders who agree that there's  
14 a problem around housing, but often disagree,  
15 sometimes violently, around what the solution should  
16 be.

17           And as a result of that work, that convening  
18 work, we have pulled together a partnership called  
19 the Partnership for the Bay's Future, that includes  
20 public entities, it includes nonprofit organizations,  
21 but it also includes the corporate sector.

22           And two things have been created as a result  
23 of that partnership. One is a half-a-billion-dollar  
24 investment fund that seeks to bring more private  
25 capital and philanthropic capital into the affordable

1 housing production marketplace to augment and  
2 supplement what the public is investing.

3 And the other is a policy fund, where we are  
4 providing support directly to local jurisdictions in  
5 the Bay Area who are developing new housing policies  
6 to try to be responsive to the circumstances in their  
7 communities.

8 We're also using resources to provide folks  
9 in local government with additional staff to actually  
10 develop and implement those policies.

11 We've also been involved in legislative  
12 work. Probably about two or three legislative cycles  
13 ago we were associated with about twelve or thirteen  
14 pieces of different legislation, focusing on  
15 different housing production, focusing in on the  
16 protection of tenants, but also on the preservation  
17 of existing affordable housing as well.

18 We've done all of that, because we've seen,  
19 and the community's been telling us, that an  
20 important part of addressing equity in the region is  
21 being able to address the housing crisis.

22 I want to offer up three or so things that  
23 we've learned, or lessons that we have picked up  
24 along the way. Because I think that they could  
25 respectfully maybe add value to some of the

1 strategies that you all are thinking about.

2 One is that the outcomes that are being  
3 experienced from a housing perspective in the Bay  
4 Area, specifically in the state of California  
5 generally, are outcomes that are disproportionately  
6 negatively impacting communities of color.

7 If you look at homeownership rates, if you  
8 look at the amount of rent burden and burden that is  
9 associated with homeownership, burden being defined  
10 as spending more than 30 percent of your income on  
11 housing, Black and Latinx communities are  
12 disproportionately impacted. High proportions of  
13 those populations are rent-burdened.

14 You only have to do a windshield survey to  
15 see the color in the complexion of the homeless  
16 populations in places like Oakland, San Francisco,  
17 Berkeley, Richmond. All those things, I think, are  
18 things to keep in mind.

19 But the real important thing here is that we  
20 didn't arrive here by accident. We arrived here  
21 through exclusionary zoning tactics that have been  
22 implemented across the state, and particularly  
23 wealthy communities, and communities that have high  
24 areas of opportunity.

25 We have gotten here through redlining

1 practices where communities of color have had unequal  
2 access to capital to purchase homes to invest in  
3 their homes, to revitalize their homes, to keep up  
4 with maintenance.

5 We have arrived here because of land use  
6 policies and practices that have been discriminatory  
7 in low-income communities. You can point to things  
8 like the West Oakland BART station, things like the  
9 West Oakland Post Office --

10 MS. COHEN: Unfortunately, these folks are  
11 not that familiar with the Bay Area.

12 You're speaking my language.

13 MR. BLACKWELL: I'll describe it in more  
14 detail.

15 MS. COHEN: Yeah.

16 MR. BLACKWELL: Communities where historic  
17 African American, Latinx communities have basically  
18 been displaced through policies and decisions that  
19 have been made to advance the public good through  
20 their communities.

21 So building new freeways through low-income  
22 communities and communities of color. Building new  
23 monuments in those same communities, tearing down  
24 existing homes and businesses in order to revitalize  
25 those areas without consideration for the existing

1 culture complexion in the neighborhood. All of those  
2 kinds of things.

3 I just pointed to West Oakland, but you can  
4 see examples of that in Los Angeles, San Francisco,  
5 Richmond, Berkeley, you name it.

6 And also uneven access to even public  
7 dollars and policies that are intended to improve  
8 homeownership and things like that.

9 For example, the GI Bill. The GI Bill was  
10 used to spark homeownership for a large proportion of  
11 the population decades ago. Black people were  
12 excluded from being able to participate in the  
13 GI Bill in ways that other communities were.

14 So my point is that we haven't gotten here  
15 by accident. It's not the fault of low-income  
16 communities and communities of color that they are  
17 disproportionately impacted by these issues. We have  
18 put into place policies and procedures and practices  
19 that have had racial undertones and overtones to them  
20 that have gotten us to this place.

21 So that's one of the things that I think is  
22 important to keep in mind. Because low-income  
23 communities and communities of color have been  
24 disproportionately impacted.

25 The second thing that I think is important



1 to keep in mind, is that we have to design solutions  
2 that really make sure that the folks who are most  
3 impacted benefit from the things that we're doing.

4 The best example that I can give to you all  
5 about that is curb cuts. I'm sure all of you are  
6 familiar with curb cuts. They're where the  
7 street -- the sidewalk actually goes down to the  
8 street.

9 They were basically created as a result of  
10 the advocacy for people who had mobile disabilities,  
11 so they could get from one side of the street to the  
12 other. Just the way everybody else could who didn't  
13 have mobile impairments.

14 But if you were just to kind of take a step  
15 back and look at curb cuts and kind of just do your  
16 own survey of who is using them, what you will see is  
17 the young mother with the baby carriage. You will  
18 see the lawyer with the suitcase full of briefs. You  
19 will see the catering service going from one job to  
20 the other.

21 Curb cuts are the perfect example of us  
22 designing a solution for a population of people that  
23 were probably least likely to be able to benefit from  
24 some of these things, but how everybody benefits from  
25 that solution.

1           And I would say that we need to have a  
2   curb-cut approach when we are thinking about  
3   solutions to housing. We have to make sure we are  
4   designing these solutions with the folks who are most  
5   impacted, least likely to benefit from these  
6   solutions, that are put kind of at the front of the  
7   line, and also design to make sure they benefit and  
8   make sure that we all benefit as a result.

9           Last thing I would say here that we learned  
10  as an important lesson and approach is that wealthy  
11  communities cannot be left off the hook.

12           We have seen that the exclusionary policies  
13  and practices in zoning that I talked about at the  
14  top that have led to the problems that we're facing  
15  today are still being utilized in some communities,  
16  and, therefore, they are not producing their fair of  
17  housing generally, and their fair of affordable  
18  housing more specifically.

19           And what that does is it makes sure that  
20  folks who have limited incomes are not experiencing  
21  the same benefits that exists for communities that  
22  have high opportunity, communities that have good  
23  schools, communities that have high quality  
24  infrastructure, communities that have high tax bases  
25  that allow for them to keep up with those

1 infrastructure investments.

2 So all three of those things are things that  
3 I think we all need to be taking into account as we  
4 develop new housing policies and approaches.

5 The fact we haven't gotten here by accident,  
6 that we have to take a curb-cut approach to making  
7 sure that everybody benefits, and that we cannot let  
8 communities of opportunity off the hook when it comes  
9 to developing their fair share of housing generally  
10 and affordable housing more specifically.

11 So I'll stop there.

12 Again, pleasure to be with you. Applaud you  
13 for taking up this issue, and hope to be able to work  
14 in partnership with you as you continue to roll up  
15 your sleeves.

16 MS. COHEN: Question.

17 Do you have examples of ways to keep  
18 wealthier communities accountable?

19 Is there -- are there -- is there an  
20 established successful model? Is it a policy, is it,  
21 you know, what are --

22 MR. BLACKWELL: Yeah. There -- there are a  
23 few things that have been tried and beaten back by  
24 those communities.

25 So, for example, there have been a number of

1 pieces of legislation that seek to loosen the  
2 regulatory environment when it comes to developing  
3 affordable housing. And those have been met with  
4 limited success in the Legislature.

5 They're examples of the fact that these  
6 communities are able to do the things that they're  
7 doing with basically impunity. And so what if we  
8 were to make sure that folks who wanted to get more  
9 money for widening of freeways and improving their  
10 streets develop their fair share of affordable  
11 housing in order to get access to those kinds of  
12 dollars.

13 Those are the kinds of things that have been  
14 talked about. They're the kinds of things that  
15 public agencies and legislation have tried to  
16 advance. And, frankly, the strength of the political  
17 will of those communities are beating back a lot of  
18 those examples. And we know those are things that  
19 work.

20 MS. COHEN: Appreciate that.

21 I think I saw Mr. Vazquez' hand.

22 MR. VAZQUEZ: I appreciate your comments and  
23 your history. And given your experience, especially  
24 since you represent -- or, I guess, your nonprofit  
25 works with some of the very high-end counties in the

1 state of California.

2 I'm down in LA County, and I grew up in  
3 Santa Monica and the Venice area. And as a kid,  
4 Venice, for example, west of Lincoln, which is right  
5 up against the beach, was like 80 percent  
6 African-American as a kid. Now it's maybe  
7 10 percent, because they were all renters.

8 And while we want to protect, you know,  
9 obviously people's homes. And then you mentioned,  
10 you hit it right on the nail when you were talking  
11 about communities with color are always subject to  
12 all the improvements, like freeways.

13 My wife lived on the 10 freeway before it  
14 existed, and they got displaced. And that happens  
15 throughout the state of California.

16 And you're right, this is something that we  
17 didn't -- it just didn't happen by accident. These  
18 were things that were planned for those that were in  
19 power back in the day.

20 But now we have a new California, as we're  
21 seeing more and more people of color getting elected.

22 In your experience, what do you think we  
23 need to do to make sure we correct a lot of those  
24 wrongs as we move forward, whether it's a tax credit  
25 or tax abatement?

1           Because I'm not convinced that any housing  
2           is good housing. In Santa Monica, one of the  
3           problems we have is we have a lot of high-end housing  
4           that's vacant. But who can afford the 6, \$7,000 a  
5           month to rent these things?

6           What we need is, like, true workforce  
7           housing. Because I'm sure you experienced it,  
8           especially in San Francisco, like in Santa Monica,  
9           you have a lot of the service folks working in the  
10          service industry that, you know, clean the hotels and  
11          work in the kitchens and the restaurants, but  
12          don't -- can't afford to live there. Many of them  
13          are commuting. Some, I understand, are even probably  
14          commuting from Sacramento to San Francisco.

15          So the commute is just huge. And how do we  
16          bring them into the areas of employment?

17                 MR. BLACKWELL: Yeah.

18          You know, I don't have a silver bullet for  
19          the challenges that we're trying to address, but  
20          there are a few things that I would name that I think  
21          are important.

22          One is I think that probably by now we've  
23          kind of concluded that a trickle-down economics isn't  
24          a policy approach that works for low-income  
25          communities.

1           The same could be said for housing. A  
2 trickle-down approach for housing where we just  
3 targeted the higher-income end of the spectrum. And  
4 hope that by developing more housing generally, we  
5 will be able to address what is basically  
6 over-simplified as a supply and demand problem, is  
7 not going to be enough.

8           So we've got to produce housing at all  
9 levels of affordability. And we have to have  
10 adequate funding streams for the kind of affordable  
11 housing component, and the piece that you're talking  
12 about, which is the missing middle as well.

13           And we have to simultaneously preserve what  
14 we have in terms of affordable housing. Because if  
15 we're just -- if we're losing as much affordable  
16 housing as we're developing, it's a net zero in terms  
17 of what we are gaining.

18           But, last, we got to protect tenants. And  
19 we've done a lot to do that over the last couple of  
20 years during COVID with eviction prevention and  
21 rental assistance, and things like that. And we've  
22 got to be able to do that, too. And they all have to  
23 be done at once.

24           I think one of the things that I've seen  
25 that is really, I think, preventing us from

1 developing solutions at the level or scale that we  
2 need to is that every group feels like they had the  
3 silver bullet. So if you're a homebuilder, you think  
4 the silver bullet is we need to build more homes. If  
5 you're an affordable housing person, you think the  
6 silver bullet is more affordable housing. If you are  
7 a tenant protection advocate, you think the silver  
8 bullet is tenant protection.

9 The reality is all of these things have to  
10 happen at once, and folks have to be willing to  
11 compromise in order to get what they want, so that  
12 all these things can happen.

13 So I think the solution is to be able to do  
14 these things at once, to be able to develop  
15 affordable housing funding streams that are  
16 sustainable.

17 We lost a lot of money, dedicated money for  
18 affordable house when we lost redevelopment agencies.  
19 That was a billion dollars a year statewide for  
20 affordable housing. We still have not replaced that.

21 One of the things that we are working on  
22 with a group of advocates is seeing if we can move  
23 the voter threshold for affordable housing approval  
24 from 66 percent where it currently is now to a simple  
25 majority.



1           I can't tell you how many times I've worked  
2 on affordable housing by our measures at the local  
3 level, where we've gotten 55 percent or 58 percent or  
4 60 percent, and not been able to get to that magical  
5 66 percent. That means that you're talking about the  
6 vast majority of folks want to see these things  
7 happen, but they're unable to make it happen because  
8 they haven't been able to get to that super-majority.

9           So that's another very practical thing that  
10 I think we can do to get more public funding into the  
11 stream.

12           But the last thing I will say is it  
13 shouldn't just be all on the public. We talked  
14 about, and I mentioned earlier, the Partnership for  
15 the Bay's Future, where we're working on getting more  
16 corporate money, more philanthropic dollars into the  
17 affordable housing funding stream. I think that will  
18 be key, too.

19           MR. VAZQUEZ: I agree with you on that.

20           You're right, I think we have to come at it  
21 in all angles.

22           But you, in your remarks earlier, you  
23 mentioned that you also provide loans. Are those  
24 like bridge loans for those folks that are kind of  
25 waiting for these approvals?

1           Because I know we, at the State level, we're  
2 not doing such a good job of streamlining approvals  
3 for the approval process.

4           MR. BLACKWELL. Yeah. So --

5           MR. VAZQUEZ: Who would you recommend?

6           MR. BLACKWELL: That's exactly right.

7           So we have a funding pool that kind of tries  
8 to fill a gap in the market place. Which is, even  
9 when you do these affordable housing bonds, it takes  
10 a while for the rules and regulations to get in place  
11 for it to move through the process.

12           And what some affordable housing developers  
13 need is kind of pre-developed money and bridge money  
14 to do the acquisition work, to do the CEQA work, to  
15 do the entitlement work, before they can access the  
16 public dollars.

17           And so that is one of the things that we  
18 kind of use our pool to support.

19           MR. VAZQUEZ: Thank you.

20           MS. COHEN: Any questions on this end?

21           Senator Gaines?

22           MR. GAINES: Thank you, Mr. Blackwell.

23           I appreciate your presentation.

24           And I agree that it kind of takes all  
25 different types of housing to solve the issues.

1           My question is in terms of homeownership.

2           How realistic is it, and is there a pathway  
3 for homeownership in the Bay Area?

4           And I imagine that would be a pretty small  
5 home. But anything -- I'm a real believer in the  
6 ability to buy a home, pay it off over 30 years, and  
7 you've got a nest egg. You've got equity. You've  
8 got inheritance that can then be passed on.

9           MS. COHEN: Well, we've got Prop. 19.

10          MR. GAINES: Well, we've got to solve  
11 Prop. 19 for sure.

12          But can you speak to that in terms of what  
13 is happening? What are the opportunities?

14          I keep hearing stories about the fee  
15 structure, too, being very high on building a new  
16 home in the Bay Area.

17          MR. BLACKWELL: That's right.

18          I have to admit, most of our work is kind of  
19 on the rental side, and that side of work.

20          But I will tell you a few things that we've  
21 seen, and things that we've seen people working on.

22          One that you all are raising to be  
23 discussing is community land trust. Models where  
24 property can be acquired, and the covenants make it  
25 permanently affordable.

1           I think the downside to some of those  
2 programs is you don't experience, if you're living in  
3 a land trust unit or house, the same kind of  
4 appreciation in the ability to build equity as you  
5 have, like what you're talking about, traditional --

6           MR. GAINES: Would that be shared equity?  
7 Like a shared equity example?

8           MR. BLACKWELL: Yes, shared equity.

9           And sometimes -- I forget what the term of  
10 art is -- but it's capped equity. So you can get up  
11 to a certain point. Beyond that, it goes back into  
12 the land trust. So that's one approach.

13           The other is there are some folks who are  
14 doing work, and you kind of hinted at this, to bring  
15 down the cost of the production of new housing.

16           So there are places like Factory\_OS in  
17 Vallejo that are doing prefab homes to bring down the  
18 cost of materials and the like. And I think that's  
19 another important part of the equation.

20           And then the other thing we've seen is  
21 jurisdictions that are targeting specific populations  
22 for homeownership assistance, teachers, first  
23 responders, and folks like that who kind of get early  
24 access to, and more access to down payment assistance  
25 programs, and things like that.

1           So those are just three things that we're  
2   seeing. I think the thing that we're not seeing is  
3   that any of those seem to be able to be implemented  
4   at least now at a level of scale that really has an  
5   impact. They all feel like they're working kind of  
6   at a boutique level of scale. I think the next  
7   challenge is one about scale.

8           MR. GAINES: Yeah. Very well.

9           Thank you. Appreciate it.

10          MS. COHEN: Mr. Blackwell, thank you for  
11   your presentation.

12                 I -- Senator, just wanted to point out  
13   that in David Yeung's presentation, he talked about  
14   community land trust, legislation that's making its  
15   way through the Legislature.

16                 I think it's headed towards the Governor's  
17   desk, if I'm not mistake; is that right?

18                 Community land trusts, which actually would  
19   increase the cap that Mr. Blackwell was talking  
20   about.

21                 So we got to keep moving. We got an  
22   aggressive agenda today. Really exciting.

23                 Thank you for your time and your expertise.

24                 I think we have Beatriz Olvera Stotzer  
25   online.

1           And, folks, I just want to recognize that  
2 we've got about 243 folks that are online joining us  
3 that are streaming today. So very exciting.

4           Ms. Stotzer, are you there?

5           MS. STOTZER: Yes, I'm here.

6           Thank you so much. It's an honor to be here  
7 today.

8           My name is Bea, Bea Stotzer. I am the  
9 Board Chair and founder of New Economics for Women.  
10 It's a Latina community economic organization, and a  
11 developer of affordable housing for nearly 30-some  
12 years.

13           It is an honor to be here with you today and  
14 share some ideas. And really thank Mr. Blackwell for  
15 bringing up a couple of the issues that I had  
16 already -- were considering discussing. And he did  
17 such a great job.

18           MS. COHEN: Ms. Stotzer, before -- pardon  
19 the intrusion.

20           Are you able to turn your camera on?

21           MS. STOTZER: Hold on just a second. I  
22 thought it was on.

23           Is it on now?

24           MS. COHEN: No.

25           There you are. We see you now. Fantastic.

1 Thank you. Thank you for joining us.

2 MS. STOTZER: It was on before. I don't  
3 know why it wasn't on.

4 MS. COHEN: That's okay. It might be on our  
5 end.

6 MS. STOTZER: Sure.

7 One of the things I'd like to start with is  
8 context. And I think in all of your hearings has  
9 been missed.

10 The state of California has organized  
11 affordable housing around the TCAC model, which is --  
12 and it's limited its affordability to 60 percent AMI,  
13 and now is considering 80 percent.

14 There are many, many states, including  
15 Colorado, that uses their tax credit incentive  
16 programs and bond programs up to 120 percent of the  
17 AMI, which is a federal level. But for some reason,  
18 the state of California does not.

19 I believe that that has been one of the  
20 critical issues that the state has not been able to  
21 address for a long time.

22 The other issue in terms of the Latina  
23 community and how we've done our affordability, you  
24 know, we have been -- had experience building  
25 multifamily, new construction, acquisition and rehab,

1 single-family construction and modular construction.

2 But the whole financial structure of  
3 affordable housing centers around multifamily, not  
4 single-family housing.

5 And, you know, and we have provided  
6 covenants for single-family developments as a  
7 commitment to affordability. But it's been very,  
8 very difficult to address it for the long term.

9 The development deals that are recognized,  
10 the nonprofit and private partners to build low and  
11 moderate income households is just not there as it  
12 should be.

13 And we believe BOE has an incredible  
14 opportunity to create a graduated incentive for tax  
15 exemption, not only for multifamily, but also  
16 especially for single family.

17 I think it's a tool that can be used in  
18 order to provide high-resource communities like  
19 Santa Monica, like Beverly Hills, to really help  
20 private and nonprofit, you know, development to occur  
21 when you have a graduated tax exemption opportunity.

22 One of the things that I think we have not  
23 understood is that low-income housing, under the  
24 rules, is just too narrowly defined, as I had stated.  
25 It only really deals with limited partnership, you



1 know, utilizing tax credit when there's a general  
2 managing partner as a nonprofit. It really doesn't  
3 deal with financing and getting the subsidies for  
4 affordable housing.

5 And it's no longer the case. People do  
6 not -- I mean, developers do not want to use that  
7 tool as much as we would like them to, because it is  
8 just too cumbersome, expensive, and it doesn't take  
9 long. And there's not coordination where you can --  
10 it's predictable in terms of having your deal go  
11 through. The competition is just too onerous.

12 We believe that BOE can be a champion of  
13 affordable housing, if it is able to create  
14 innovation and collaboration with all of the tools  
15 between all of the entities, city, county, as well as  
16 state, in creating that kind of affordability and  
17 graduated tax exemption.

18 When we look at our opportunities, for  
19 example, the approaches that we've done, right now  
20 Caltrans is bidding out their properties that they  
21 have owned for the last 35 years; however, the  
22 affordability covenants may not allow for a qualified  
23 tax exempt -- exemption, because the properties are  
24 single family and they're rental.

25 The tax exemption does not necessarily

1 allow for the county to use that, because they're  
2 rental.

3 We are having a hard time, you know, people  
4 to place voucher -- Section 8 vouchers again, because  
5 the requirements are so onerous.

6 But it -- but for rental properties, owners  
7 that want to, you know, use Section 8, don't do that,  
8 because the incentives are just not there.

9 So what I believe that can be done in  
10 allowing for us to really address critical affordable  
11 housing is to help drive not only homeownership, but  
12 rental housing for communities of color that allow  
13 nonprofits to be able to get tax exemption for  
14 rentals in single-family communities, will be a  
15 great, great help.

16 You can expand the rules and ensure that  
17 nonprofits really are the ones that can be able to  
18 buy the auction homes. Right now there is no real  
19 process other than for some cities and counties to  
20 say that they're given first look. But there is no  
21 mandate required that they be first to buy, and have  
22 a process for them to be able to do so.

23 We need your support, and we need your  
24 innovation in order to be able to use tax exemption  
25 rules to be able to, you know, really see how we can

1 bring down the cost of rental housing so it can be  
2 affordable for all incomes, especially poor, working  
3 families who cannot find housing in multifamily or  
4 single-family homes.

5 So, with that, I want to thank you for the  
6 opportunity to speak with you today.

7 MS. COHEN: Yes. Thank you very much for  
8 taking time.

9 I'm going to acknowledge my colleague,  
10 Mr. Vazquez.

11 MR. VAZQUEZ: How you doing, Bea?

12 MS. STOTZER: Thank you so much,  
13 Your Honor.

14 MR. VAZQUEZ: You mentioned the Caltrans  
15 properties. I'm assuming you're talking about the  
16 ones on the old 710 El Sereno. Are they up for sale  
17 now?

18 MS. STOTZER: Yes, they are. And --

19 MR. VAZQUEZ: And you're saying you, as a  
20 nonprofit, you don't qualify, or they're not exempt?

21 MS. STOTZER: Well, because -- no, we do --  
22 we're an HRA, so we will be bidding on the properties  
23 hopefully. And if we're successful, however, they do  
24 not qualify to be tax exempt, because they're  
25 rentals, once we have them.

1 MS. COHEN: So what she's saying is, is that  
2 we need to change that.

3 MR. VAZQUEZ: We need to change that.

4 Yeah.

5 MS. COHEN: And that's a legislative fix.

6 MR. VAZQUEZ: And the other one, I was  
7 asking -- I'm going to ask most of the -- especially  
8 the developers here today, is at the state level, I'm  
9 hearing that we're somewhat of a stumbling block.  
10 Because we have all these commissions and approvals  
11 that you all need to go through, and we need to do a  
12 better job of streamlining it.

13 What are your thoughts on how do we  
14 fast-track this?

15 MS. STOTZER: Well, the regulatory issues  
16 around tax exempt -- you know, are tax credit  
17 properties are really onerous. And I just don't  
18 understand many a time why it takes so long.

19 It takes you three years to go through the  
20 funding process in order to do affordable housing,  
21 multifamily.

22 Yes, the regulations are very, very high.  
23 The competition is very, very high. So that is why  
24 the rules are there to be able to only -- how should  
25 I -- screen out those that are not cost-effective.

1           So you have to build more units, cheaper  
2 units, to get the points to get the housing, you  
3 know, to get the tax credits.

4           That doesn't necessarily mean it's the best  
5 type of housing. It just means it's the cheaper,  
6 faster way that the state wants it.

7           The other thing I think that we need to  
8 understand is there are only a certain amount of  
9 money that the state has to be able to subsidize  
10 affordable housing.

11           There are other ways to subsidize affordable  
12 housing. One of them is a tax exemption, a graduated  
13 tax exemption. I'm not advocating for not paying  
14 property taxes, I'm advocating that it be a graduated  
15 scale. Especially if it's going to be affordable for  
16 working families, and it's owned by nonprofits and  
17 developers that can subsidize market-rate units in  
18 order to help the lower, you know, income units be  
19 able to pencil out.

20           There should be rules and regulations that  
21 incentivize that, rather than does not recognize that  
22 that can be done.

23           Also we need to recognize the fact that  
24 government cannot do it by itself, as well as  
25 Mr. Blackwell said.

1 All of us need to understand the city  
2 government is much more of an impediment to  
3 affordability many times than it is the state, and  
4 that we need to change the rules to allow  
5 affordability to be up to 140 percent or 150 percent  
6 of AMI, so all those income levels, the families that  
7 can work, that are working, working families can be  
8 able to have affordable housing.

9 Right now, for example, if you're a  
10 minimum-wage job, and both the parents are working,  
11 do not qualify for a 60 percent unit. Because now,  
12 you know, minimum wage is at 16 to 18 dollars an  
13 hour, and they're over income already.

14 And, yet, they cannot find any kind of units  
15 in LA that pay less than \$2,000 a month for a one  
16 bedroom. It is insanity.

17 Families are -- especially Latino families  
18 in LA are having a huge amount of crisis in finding  
19 units and single-family homes in order to rent at  
20 affordable rates.

21 MR. VAZQUEZ: Thank you.

22 MS. COHEN: Ms. Stotzer, what you're  
23 describing is the same challenges, the same pressures  
24 that we're feeling in the Bay Area, when it comes to  
25 the Latino community, when it comes to the

1 African-American community, and just overall  
2 immigrant communities that are struggling to find  
3 housing, and to stay in the areas where they're  
4 raising their families, where they have generational  
5 ties, where their kids are in school.

6 So this conversation is timely.

7 Let me look to my left, colleagues.

8 We've got a comment from Senator Gaines.

9 MR. GAINES: Yeah.

10 Thank you so much, Bea.

11 I hope you're okay with me using Bea. Is  
12 that okay?

13 MS. STOTZER: Absolutely.

14 MR. GAINES: All right.

15 That last statement you made in terms of  
16 \$2,000 for a one-bedroom apartment; I'm assuming in  
17 LA?

18 MS. STOTZER: Yes. Homes are now at  
19 3,000 -- if you find a single-family home to rent  
20 less than 3,000, you're very lucky.

21 MR. GAINES: Okay. All right.

22 So what are those folks doing? We talked a  
23 little bit about an outmigration of the people of the  
24 state of California. And I'm -- I'm just curious as  
25 to whether you're seeing that happening with

1 low-income families that can't find the housing that  
2 they're looking for.

3 Where are these people living? And if they  
4 can't find a spot, where are they going?

5 MS. STOTZER: Well, it's a density issue.  
6 They double up or triple up, depending on where --  
7 you know, what they can find in many situations.

8 We also provide down payment assistance, as  
9 well as homeownership counseling. And we find many  
10 of the families that are buying homes are in  
11 outlying areas in the desert or out of state,  
12 especially -- I believe there's parts of Texas,  
13 Nevada, Arizona that they're finding homes and just  
14 moving out.

15 MR. GAINES: Yeah. Okay.

16 MS. STOTZER: The incentive -- how should I  
17 say this -- one of the other issues that I'd like to  
18 bring to your attention is for the city of  
19 Los Angeles, and many other cities that we're working  
20 with, they do not have the capacity to perform  
21 financial deals as much as they want to.

22 There's just not enough staff, and there's  
23 not enough expertise out there to be able to move any  
24 kind of programs through the city council, or the  
25 state agencies, and county, especially, because it



1 just takes so long for things to get done.

2 A lot of that is because of COVID. But we  
3 need to really understand that if we're going to  
4 resource affordable housing, it has to be done on the  
5 local level, more so than it is on the state.

6 MR. GAINES: Okay. Well, thank you.

7 Has there been any discussion about the  
8 state picking up more infrastructure cost, so the fee  
9 burden is not so high on new construction?

10 Because I've heard a number as high as  
11 \$200,000 a unit in fees before you even break ground  
12 on a home in the Bay Area. And I would imagine LA  
13 would be similar.

14 And, of course, these are pass-throughs,  
15 right? So the infrastructure is required to be  
16 built, maybe parks, things of that nature. And then  
17 that's passed on to the buyer of the home in the form  
18 of fees, right? Or it brings up the cost of the  
19 house.

20 And I'm just wondering if there could be  
21 any -- is there any discussion on reprioritizing  
22 infrastructure on a statewide basis so that the  
23 home -- homebuyer, and also in the case of rental  
24 units, right? You're still paying fees on every unit  
25 that's built to try to bring those down to a more

1 affordable level.

2 MS. STOTZER: I don't know of anything that  
3 would make a big dent.

4 You have to understand when it comes to  
5 affordable housing, just inspection fees alone, you  
6 have three or four agencies charging you door fees  
7 just to have income verification.

8 And to be able to even get some of the units  
9 online, it's costing, I think, down to about 30 to  
10 35 percent of the development cost with local and  
11 state fees.

12 So that is an area of opportunity.

13 MR. GAINES: Yeah. Okay.

14 Thank you so much. Appreciate it.

15 MS. COHEN: Perfect.

16 Any other questions? No?

17 Okay. Thank you. We appreciate your time  
18 and your expertise.

19 We're going to have to keep moving.

20 MS. STOTZER: Thanks for having me.

21 MS. COHEN: Ms. Cichetti.

22 MS. CICHETTI: Did we want to go out to the  
23 AT&T moderator?

24 MS. COHEN: Yes, for public comment.

25 Thank you.

1 MS. CICHETTI: AT&T moderator, please let us  
2 know if there's anyone on the line who would like to  
3 make a public comment regarding this item.

4 AT&T MODERATOR: Thank you.

5 To queue up to make comments, please press  
6 one, then zero at this time.

7 We have no callers in queue.

8 MS. COHEN: All right. Let's keep moving  
9 forward.

10 MS. CICHETTI: We'll go to the next item.

11

12 **ITEM NO. IV**

13

14 MS. CICHETTI: The next item is Item IV on  
15 today's Board Work Group agenda, Examining the Impact  
16 of Abatements and Incentivize the Development of  
17 Housing in California: "Why do abatements matter?"

18 Our first speaker is -- will be virtual,  
19 Sean Spears, President and CEO, Community Housing  
20 Works, and former Assistant General Manager of  
21 Housing Development, City of Los Angeles, Housing and  
22 Community Investment Department.

23 MS. COHEN: All right. Thank you.

24 Thank you very much, Mr. Spears.

25 Good to see you.

1 I'm wondering, is Deborah Norwood Ruane also  
2 joining us?

3 Okay. She's out in the -- oh, there you  
4 are. Thank you.

5 Okay. All right.

6 Mr. Spears, welcome. Good to see you.

7 Thank you.

8 MR. SPEARS: Yes. Thank you, Chair Cohen  
9 and Members of the Board.

10 Thank you for inviting me to this, what will  
11 hopefully be a informative and thoughtful discussion  
12 that you all are having. And I want to thank you all  
13 for taking up this -- this question.

14 I think as you're well aware, the -- the  
15 challenges that we have in the affordable housing  
16 industry are great in attempting to meet the housing  
17 crisis and the challenges that come along with that.

18 For us at Community Housing Works, we are a  
19 501(c)(3) nonprofit organization, headquartered in  
20 San Diego. We were founded in 1988. And over the  
21 course of the years, have produced over 3,800 units  
22 of affordable housing for working families, seniors,  
23 and those with special needs, including supportive  
24 housing for the formerly homeless.

25 We are primarily active in San Diego County,

1 but have properties across the state, including in  
2 LA County, Santa Clara County, Contra Costa County,  
3 Sacramento and Fresno.

4 So we have a fair amount of experience in  
5 working with county assessors' offices and others  
6 when it comes to filing for the welfare tax  
7 exemption. And have, I think, a good process in  
8 terms of being able to file for those and secure them  
9 as is necessary for affordable housing development  
10 work.

11 But at the same time, there may be some  
12 opportunities for you all to look at some  
13 improvements that could ultimately help in smoothing  
14 the process for affordable housing to qualify and  
15 secure the exemption.

16 I wanted to give you -- I'm not sure if I'm  
17 able to share my screen. But if not, I'm just going  
18 to kind of give you the verbal example of what we  
19 typically do with securing the Welfare Exemption.

20 MS. COHEN: Let me see, are we able to see a  
21 screen?

22 MS. CICHETTI: Yes.

23 MS. COHEN: I'm told yes.

24 MR. SPEARS: Okay. Great. Let me go ahead  
25 and do that.

1           Okay. Can you all see that?

2           MS. COHEN: Yes.

3           MS. CICHETTI: Yes.

4           MR. SPEARS: Okay. Perfect.

5           So as I was mentioning, you know, we've done  
6 44 communities in various parts of the state, and  
7 have been listed amongst the top 50 affordable  
8 housing developers in the nation.

9           I wanted to give you a case study, so to  
10 speak, of the value of the welfare tax exemption on  
11 our deals. Parkside Terrace, which is located in  
12 San Jose, is a 201-unit development that we purchased  
13 a couple years ago.

14           The combination of both the acquisition cost  
15 and the rehabilitation cost of that property exceeded  
16 \$100 million at the end of the day. Real estate is  
17 very expensive in San Jose, as you're probably well  
18 aware.

19           The Santa Clara County then identified an  
20 assessed value of a little over \$38 million for the  
21 property. That's based upon restrictive value, which  
22 includes the fact that it's restricted as affordable  
23 housing.

24           Based upon that tax rate, it translates to  
25 an annual savings for the property of slightly less

1 than \$500,000 a year.

2 Now, while each tax dollar that the county  
3 can secure is very important towards providing the  
4 services and the public needs, at the same time,  
5 those \$500,000 actually goes much further than just  
6 simply dollar-for-dollar transfer to other services.  
7 It allows us, as affordable housing developers, to  
8 leverage that savings for additional perm loan debt  
9 that would come from the private sector.

10 That translates to, in this case, would be  
11 roughly \$6.7 million in additional debt that we could  
12 float on the property to help pay for its acquisition  
13 and preservation.

14 And that -- those dollars are dollars that  
15 come into that community from the, you know, from the  
16 lending community. And so it acts as really a  
17 catalyst for additional investment and additional  
18 opportunity, in that sense.

19 So the welfare tax exemption really acts as  
20 an investment in affordable housing that also gets  
21 leveraged to a greater extent by the activity that's  
22 created associated with that.

23 Now, this was an acquisition of existing  
24 property. You can imagine that this is also  
25 magnified when it comes to developing new properties

1 in the communities.

2 Now, I do want to highlight that, you know,  
3 we pride ourselves on the working relationships we  
4 have with the counties, and, particularly, with the  
5 county assessors in terms of walking through the  
6 process.

7 However, I will tell you that the fact that  
8 we -- over the course of a process that typically  
9 takes anywhere from a minimum of a year-and-a-half to  
10 as much as three years to secure the welfare tax  
11 exemption, it is a process that also involves us  
12 preparing and submitting as much as 16 different  
13 forms and background documents to the county  
14 assessor, as well as the BOE.

15 And that depending on the jurisdiction, that  
16 can be fairly predictable. But in some  
17 jurisdictions, it's not, in terms with timing. And  
18 the fact that this is usually a threshold requirement  
19 for us to be able to operate and financially operate  
20 our properties, means that any delay, or in its  
21 processing, can translate to us jeopardizing the  
22 financing for affordable housing development.

23 So, you know, my staff wanted me to kind of  
24 give what we thought were some fine-tuning  
25 recommendations to the process. But, you know, every



1 once in a while, my inner New Yorker comes out, and I  
2 would say that this is one of those times where I  
3 look at the situation and want to think about what  
4 can we do to actually improve this as a statewide  
5 system?

6 And in my mind, you already have existing  
7 state agencies that cover most affordable housing  
8 built, whether it's from receiving subsidy loans from  
9 HCD or from tax credits, as Bea Stotzer mentioned  
10 earlier, whether it's the California Debt Limit  
11 Allocation Committee or California Tax Credit  
12 Allocation Committee, they also will confirm when the  
13 restrictions are put in place. They will then  
14 confirm what they are also informed when lease-up has  
15 occurred, and the property's in operation.

16 They have annual reporting and periodic  
17 on-site inspection. And they have significant  
18 enforcement and financial penalty tools available to  
19 them if a property is not in compliance with its  
20 restrictions.

21 So I say all that to say there is an  
22 existing apparatus that most of the affordable  
23 housing in the state already takes advantage of, and  
24 that can act as an enforcement vehicle for the  
25 welfare tax exemption.

1           In addition, they have recording on the  
2 status of their properties. And that's something  
3 that can be reported out, frankly, to the individual  
4 counties, and hopefully be able to streamline.

5           Ideally, if the exemption was filed for when  
6 the property closes on construction and is confirmed  
7 when CDLAC or TCAC get confirmation of the completion  
8 and operation of the projects, I think that can  
9 translate to some really meaningful reductions in  
10 cost that the county assessors' offices themselves,  
11 as well as the BOE, take on when reviewing each and  
12 every individual deal.

13           I think that streamlining can be very  
14 helpful, at least in the projects itself in terms of  
15 making a greater amount of assuredness on the  
16 financing side and on the operational side.

17           So I would invite some thoughts around that  
18 as you guys go forward, and see if there can be a way  
19 for you to partner more closely with the State  
20 Housing Finance Agencies that actually already touch  
21 and enforce these provisions.

22           Also want to speak to what I think in  
23 general you are also discussing, ideas around  
24 supporting workforce housing and moderate income  
25 housing. I think all of us can recognize that there

1 is a growing crisis that is spreading beyond the  
2 very -- and serving the very-low and low-income  
3 households, and the need for us to also address  
4 moderate income.

5 I know you're having other folks that will  
6 be speaking in a few minutes about programs, and, for  
7 instance, in New York, and in other places that are  
8 very successful in supporting moderate-income housing  
9 development.

10 I think that while your affordable housing  
11 industry here in this state is very mature and very  
12 capable of doing a great deal more of affordable  
13 housing development if there were greater amount of  
14 resources, but I think there's also the need to  
15 enlist the market-rate community as well,  
16 particularly where they can support moderate-income  
17 housing.

18 And if there are ways for, whether it's  
19 abatement programs or other as-of-right resources  
20 that can be made available, I think being able to  
21 serve the moderate income levels would be really  
22 helpful in terms of having to address that issue as  
23 well.

24 So I'm going to pause there, and see if you  
25 all have any questions. Again, really thank you for

1 allowing me to speak in front of you today.

2 MS. COHEN: Great. We're actually happy to  
3 hear from you.

4 Could you go back and summarize the  
5 recommendations that you have for the Board of  
6 Equalization?

7 MR. SPEARS: So I think the first would be  
8 the notion of seeing if there's a way, rather than  
9 having the Board and the county assessors  
10 individually evaluate each property and go through  
11 both the OCC and SCC filings, simply rely on the  
12 other state agencies in terms of their enforcement  
13 work that they do around the affordability  
14 restrictions.

15 If you're able, in essence, to receive their  
16 list of projects that have been approved and gone  
17 through the process, and that will have a  
18 affordability restriction in place, with a nonprofit  
19 also being part of that, that that would be ideal  
20 just to be able to work off of them, as opposed to us  
21 having to take the time to file individually with the  
22 counties.

23 MS. COHEN: Okay. My colleagues are asking  
24 for a copy of your handout, of your slides. If you  
25 could e-mail them to us, your contact, we will

1 disseminate it with us up here.

2 MR. SPEARS: Sure. I'll leave that --

3 MS. COHEN: I know you had three  
4 recommendations on that slide. So I'll just read the  
5 other two just to be respectful in the interest of  
6 time.

7 Any other questions or comments for  
8 Mr. Spears? No?

9 Okay. Thank you. This is actually moving  
10 our conversation in a positive direction, and I  
11 appreciate your time.

12 MR. SPEARS: Thank you.

13 MS. COHEN: I am going to now call up our  
14 next speaker.

15 MR. SCHAEFER: Mr. Spears, Vice Chair  
16 Schaefer.

17 I just wanted to thank somebody from  
18 San Diego for popping in on us. Happy to see you.

19 MR. SPEARS: Sure. Every once in a while we  
20 do show up. So -- yes.

21 MR. GAINES: Thank you.

22 MS. COHEN: Thank you.

23 Ms. Cichetti, could you call the next  
24 speaker?

25 MS. CICHETTI: The next speaker that we have

1 is Deborah Norwood Ruane, Founder and Managing  
2 Partner, Norwood Development Strategies, and former  
3 Executive Vice President, Chief Strategy Officer,  
4 San Diego Housing Commission. And along with her is  
5 Seth Gorrie.

6 MS. COHEN: Great. Thank you very much.

7 So we appreciate you coming all the way up  
8 from San Diego to join us and be with us in our  
9 chambers today.

10 Welcome. I hope you had a safe trip.

11 MS. RUANE: We did. Thank you so much for  
12 being here. We're honored.

13 Also extremely excited to be on a panel with  
14 Mr. Blackwell and Mr. Spears and Mr. Stivers. This  
15 is a great opportunity.

16 As was introduced, I'm Debbie Ruane with  
17 Norwood Development Strategies, and this is  
18 Seth Gorrie. We're representing the Middlemarch  
19 Fund, which is in partnership with an organization  
20 called Civic Communities, also in San Diego.

21 Civic is an incredible organization that has  
22 invested in Middlemarch due to its belief that we  
23 need more middle-income housing.

24 So I have a PowerPoint. If we could go to  
25 the second slide, please.

1           I formed Middlemarch based on this massive  
2 need for housing, and as a way to augment the very  
3 successful work being done by the affordable housing  
4 community.

5           But what we were trying to do is extend the  
6 reach of subsidized housing into the middle income  
7 without necessarily utilizing public funds, such as  
8 tax credits and bonds.

9           So not only when I was at the San Diego  
10 Housing Commission for nine years, our portfolio of  
11 thousands of units became 99 percent occupied. But  
12 what was more telling is people weren't moving out.  
13 The tenure was extending, because the gap between the  
14 high limit of subsidized housing and the market-rate  
15 rents were growing larger and larger and larger. And  
16 so without the turnover, we were exacerbating  
17 homelessness.

18           We are not allowing your new recent  
19 graduates or your seniors on fixed income to find  
20 housing they can afford.

21           Next slide, please.

22           Traditionally, there were two different  
23 types of housing; affordable and market rate. Well,  
24 what we saw was we needed to create a middle group  
25 that creates a continuum of housing opportunities for

1 people, so that they can move up and out of the  
2 subsidized units into affordable market-rate housing.

3 Next slide, please.

4 We're not building housing mostly because of  
5 high development costs. And what is happening is  
6 that there is land available. It always doesn't  
7 necessarily work for affordable housing, because you  
8 need to be proximate to amenities, such as mass  
9 transit schools. But there are so many sites in  
10 California that are just outside of that income  
11 radius that could be developed for middle income.

12 A lot of these, though, are in communities  
13 that aren't desirable to market-rate developers,  
14 because they can't achieve the high rents they need  
15 to pay for the development costs. So this leaves  
16 many communities behind.

17 Next slide, please.

18 I will skip that slide. It's there in the  
19 book for your information.

20 Moving on to the next slide.

21 Seth.

22 MR. GORRIE: So the problem that is  
23 affecting us in California in general is that with  
24 these high rents, people are having to make decisions  
25 for their personal health, can they afford health



1 care, are they suffering mentally, are they suffering  
2 physically.

3 Commute times are affecting them. People  
4 who serve in communities, and then have to live an  
5 hour away.

6 And then economically this is affecting  
7 California, because we're having a mass exodus. We  
8 have people moving to Idaho, Nevada, Texas, Florida,  
9 Colorado.

10 My brother is a chef. He lost five people  
11 in his kitchen over the last two years because of  
12 COVID, and they just can't afford to live here  
13 anymore.

14 So this is affecting the communities where  
15 people serve. They can no longer live there as  
16 several of the other speakers have talked about  
17 today.

18 Next slide, please.

19 MS. RUANE: I won't go into this too much,  
20 but these are some examples of who the missing middle  
21 are.

22 These are people who are core to our  
23 industry and our communities, and we need them.

24 Next slide, please.

25 This is a demonstration, essentially, how

1 housing is built. Assuming you're at \$500,000 a unit  
2 to build one apartment. And that's comprised of  
3 land, soft costs, hard costs and fees.

4 Those are really fixed, except for that top  
5 square on the left. That's a bucket that we can  
6 manipulate, the cost of permits and fees.

7 And so affordable housing is financed with  
8 primarily tax credit, equity and debt. And because  
9 the debt is only 30 percent, in this instance,  
10 affordable housing developers can charge lower rents.

11 But when the financing mechanism is higher  
12 debt and high equity returns, equity investors  
13 typically seek a 15 to 18 percent return on their  
14 investment, developers are forced to charge more  
15 rent.

16 But that chasm between the high end of  
17 affordable and the low end of market is 500, 600,  
18 sometimes a thousand dollars, forcing people to stay  
19 in the low income housing and creating a massive  
20 problem.

21 Next slide, please.

22 So how can a property tax abatement help  
23 California's workforce families?

24 In the interest of time, and Mr. Yeung  
25 thoroughly covered this, I just want to stress that

1 the Middlemarch Fund is something that is available  
2 as --

3 MS. COHEN: I'm sorry, you said next slide.

4 MS. RUANE: Yes.

5 MS. COHEN: Next slide, please.

6 MS. RUANE: Thank you so much. I didn't  
7 catch that.

8 MS. CICHETTI: She went in the back. We're  
9 having some technical difficulties.

10 MS. RUANE: Okay. Well --

11 MS. CICHETTI: We're having some technical  
12 difficulties. Would you mind holding for just one  
13 second?

14 MS. RUANE: Not at all.

15 MS. CICHETTI: We can resume now.

16 Thank you. I appreciate the time.

17 MS. RUANE: A lot of words on this slide to  
18 essentially say that a public subsidy is required for  
19 a property tax abatement.

20 So everything over 80 percent area median  
21 income, with some exceptions, doesn't get the benefit  
22 from a property tax abatement, which is an incredibly  
23 powerful tool.

24 And without it, it leaves millions of  
25 Californians, in our belief, challenged for

1 affordable housing.

2 Next slide.

3 MR. GORRIE: So --

4 MS. CICHETTI: Next slide, please.

5 MR. GORRIE: Thank you.

6 Why are property tax abatements useful,  
7 especially up to 120 percent of area median income  
8 versus the current 80 percent?

9 So PTA will allow for rental income to be  
10 reduced due to the removal of property tax expenses  
11 allowing for the net operating income to be achieved,  
12 instead of charging outsized rents that they have to  
13 achieve with the luxury rental market.

14 And so this would allow for moderate income  
15 units to be built in underserved communities that  
16 otherwise would not have received this investment.

17 And so there would be a ripple effect where  
18 land that was underdeveloped would then be developed.  
19 Even with a 10-year property tax abatement, there  
20 would still be an increase in values due to the  
21 investment in the community.

22 So without options to finance middle-income  
23 housing, Regional Housing Needs Assessment goals  
24 cannot be met.

25 For example, in San Diego, we had three

1 percent of the necessary moderate-income housing  
2 units built between 2013 and 2021.

3 Next slide, please.

4 MR. GAINES: Can I ask a question?

5 MS. COHEN: Yes, please ask a question,  
6 Senator Gaines.

7 MR. GAINES: Yeah. Thank you.

8 I'm just trying to -- we had this  
9 legislation that's moving through, Assembly Bill  
10 1206, that would utilize Welfare Exemption to lower  
11 income household occupants, and increase it to  
12 140 percent of area median income.

13 Would this address the issue you're speaking  
14 of or --

15 MS. RUANE: It would.

16 MR. GAINES: Okay. All right. Thank you.

17 MR. GORRIE: Is that the bill that  
18 correlated with the community land trust?

19 MR. GAINES: Yes.

20 MR. GORRIE: I think it could help, but we  
21 need to do more research into it. Because that would  
22 primarily be for purchases, or does it apply to  
23 rentals as well?

24 MR. GAINES: I'm not --

25 MR. GORRIE: That might be for another time.

1 MR. GAINES: -- not sure.

2 MS. COHEN: Sounds like another work group  
3 meeting.

4 MR. GAINES: I thought it included rental.  
5 It does include rental, yes.

6 MS. COHEN: It is specifically rental. I  
7 don't think --

8 MR. GORRIE: Then, yes, it could help.

9 So this slide is just to give you an  
10 overview of how property tax abatement directly drops  
11 the rent needed to make a development work.

12 So assuming a basis of \$450,000 per unit to  
13 build in San Diego, it could be higher using a  
14 property tax rate of 1.12 percent. That's an annual  
15 tax rate of \$5,000 per unit or \$420 per month.

16 The market rate for one bedroom right now in  
17 San Diego on average is \$2,500. That can drastically  
18 drop the rent from 2,500 to 2,080 or 20 percent  
19 decrease in the rent. It's a bottom-line drop metric  
20 that directly helps out the renters.

21 Next slide, please.

22 MS. RUANE: So allowing for multifamily  
23 properties that are privately financed to be eligible  
24 would be very beneficial to the renters directly.

25 And on middle-income units, we're referring

1 to units between 80 and 120 percent of the area  
2 median income. Also suggesting that there be a  
3 sunset provision or a timeframe. This does not have  
4 to be a forever exemption. It could be for 10 years.  
5 It could be something that is for a period of time  
6 that -- that weans off.

7 And it will incentivize development, not  
8 just on that site, but catalyze communities where  
9 market-rate housing can't right now be financed.

10 Next slide.

11 MS. COHEN: Oh, wait.

12 MS. RUANE: Yeah.

13 MS. COHEN: Since you're here, I'm just  
14 going to pepper you with questions.

15 MS. RUANE: Do it.

16 MS. COHEN: So going back to your first --  
17 your first point, why is it -- why is this not  
18 already being done from your perspective?

19 Privately financed -- why are not privately  
20 financed projects eligible?

21 It's just the way the legislation is  
22 written?

23 MS. RUANE: To my knowledge, yes.

24 MS. COHEN: Thank you.

25 Continue.

1 MS. RUANE: You're welcome.

2 Next slide, please.

3 So the property tax abatement, as Seth  
4 pointed out, can lead to essentially a 20 percent  
5 rent reduction that gets passed directly to the  
6 families.

7 What Middlemarch does is we add a deed  
8 restriction onto those units, so that they stay  
9 between 80 and 120 percent area median income for  
10 30 years. Some tool like that. And there are many  
11 other companies out there that are focusing on middle  
12 income.

13 To be paired with this would work very, very  
14 well. Developers will earn the same return with this  
15 property tax abatement suggestion. It's a win/win.  
16 They don't benefit, the renter does.

17 I mentioned the sunset provision, and what  
18 also happens is that now there's more private funding  
19 available for the creation of middle-income housing.  
20 And there are so many sites that could be perfect  
21 catalysts for this.

22 And when Mr. Spears spoke earlier, there's  
23 competitiveness going after these tax credits and  
24 bonds. What if the developer doesn't get them?  
25 Sometimes it takes two to three years before they go



1 back and get the application. This could immediately  
2 be built as middle-income housing.

3 Next slide, please.

4 We have this one for your information. And  
5 I'm not going to go into it, because it's tiny text.  
6 But in Seattle, they did a program, and it has helped  
7 to create 32,000 middle-income housing units.

8 MS. COHEN: We heard from Seattle last  
9 month.

10 MS. RUANE: Yeah. Very impressive.

11 MS. COHEN: It is.

12 MS. RUANE: And, last slide, in conclusion,  
13 we just want to say that without your consideration  
14 of a property tax abatement, California will continue  
15 to demonstrate a lack of action in the public/private  
16 sector.

17 This State's leadership on this issue is  
18 crucial. And there are developers, lenders and  
19 communities who are ready and willing to build  
20 middle-income housing in partnership with you. So  
21 please don't waste this opportunity to consider an  
22 opportunity for innovation.

23 MS. COHEN: Perfect. Thank you.

24 I appreciate that strong call to action.  
25 Way to end your presentation.

1           Which actually leads into my next question  
2 is, what kind of advocacy is -- are you engaging in  
3 with members of the Legislature?

4           Do you participate in Lobby Days? Is there  
5 a coalition that will also amplify these suggestions?

6           MS. RUANE: There are many people who are  
7 engaged in the middle-income fight, I will say. We  
8 do participate in Lobby Days. I will be stepping  
9 more into that in the coming years.

10           The partnership with Civic Communities was  
11 civic -- used to be Civic Center of Development,  
12 which was the former Redevelopment Agency in  
13 San Diego.

14           And I'm a member of the Building Industry  
15 Association, on the Board in San Diego, as well as  
16 some philanthropy on, even, homelessness with the  
17 Lucky Duck Foundation. So I advocate on all housing  
18 matters from zero up to 120 percent AMI. Because we  
19 need all types of housing.

20           Mr. Blackwell said it. We have to  
21 compromise. We have to find ways where we can work  
22 together. And what can we do -- what can we do to  
23 innovate?

24           MS. COHEN: Absolutely.

25           So I think that this conversation here is

1 definitely timely, and I appreciate it.

2 Let me see if there's Members.

3 Mr. Epolite.

4 MR. EPOLITE: I was just going to ask the  
5 Chair, could we also get a copy of this presentation?

6 MS. COHEN: Sure.

7 For all presenters, we need to get copies,  
8 so that we can take these conclusions and solutions  
9 to heart.

10 And Mr. Epolite just represents the  
11 Controller. And as you know, the Controller sits on  
12 CDLAC and TCAC.

13 So this is mutually beneficial, not just for  
14 us, but also for the Controller's office.

15 Mr. Vazquez, and then, let me see,  
16 Mr. Gaines, Mr. Schaefer.

17 MR. GAINES: Just -- thank you very much.

18 MS. RUANE: Thank you.

19 MR. GAINES: I really appreciate the  
20 information. Very valuable.

21 MS. COHEN: Mr. Vazquez.

22 MR. VAZQUEZ: As I was listening, and you  
23 might have had it on one of the slides, but I didn't  
24 catch it.

25 Did you give a breakdown of what -- because

1 you're in the for-profit side, you're not on the  
2 nonprofit side -- what it's costing per unit,  
3 roughly?

4 MS. RUANE: Yeah.

5 And we use a metric in San Diego County, for  
6 example, about \$500,000 to build one apartment. It  
7 can go as high as a million in the Bay Area.

8 MR. VAZQUEZ: I know.

9 MS. COHEN: Thank you.

10 Anyone on my left?

11 Mr. Schaefer.

12 MR. SCHAEFER: Deborah, I was very impressed  
13 with what you brought to us today.

14 And thank both of you for coming. We don't  
15 see people from San Diego that often.

16 Do you have an opportunity to talk with the  
17 media in San Diego, talk with the leading civic  
18 clubs, like leading rotary, Kiwanis, of that nature.  
19 I think they would enjoy hearing from you.

20 I've been to them and seen some very great  
21 programs. And this is something that San Diego needs  
22 to know about. And I'd write a letter to the editor,  
23 but it'd be better if you'd write an op-ed.

24 MS. RUANE: Will you co-write it with me?

25 MR. SCHAEFER: I'd be happy to.

1 MS. RUANE: Thank you.

2 MS. COHEN: So keep your eyes on this Board.  
3 We're going to be moving with urgency.

4 And it's almost like this conversation is  
5 just -- will help us zero in with laser focus on  
6 where we need to insert our voice.

7 So let me see if Mr. Gaines has anything.

8 If not, we'll hear from the next presenters.

9 Thank you.

10 MS. RUANE: Thank you very much.

11 MR. GORRIE: Thank you.

12 MS. CICHETTI: The next presenters are the  
13 spur panel, William A. Witte, Chairman and CEO,  
14 Related California; Michael E. Johnson, President and  
15 CEO of UrbanCore Development; and V. Fei Tsen,  
16 Founder, Managing Partner, from Windflower  
17 Properties.

18 I believe most of them are virtual.

19 Mr. Witte is. We have confirmed him.

20 Let's see if we have the others.

21 MS. COHEN: Bill Witte, are you on?

22 Fei Tsen, is that you that I see?

23 MS. TSEN: Yes. Hello.

24 MS. COHEN: Hello. Good to see you.

25 We're gonna look for two of our other

1 panelists.

2 We've got Michael E. Johnson.

3 Mr. Johnson, are you on?

4 Okay. Well, when they -- when they join us,  
5 we'll find them, and we'll -- we'll add them.

6 Ms. Tsen, why don't you go ahead and begin.

7 Welcome. Thank you for coming to present to  
8 us.

9 MS. TSEN: Thank you. Thank you very much.

10 I'm so appreciative that this committee is  
11 looking at this very important tool that we need in  
12 order to develop housing.

13 Madam Chair and Members of the Board,  
14 I am Fei Tsen, President of Windflower Properties.

15 Windflower Properties is a mission-driven  
16 development company, which I formed a decade ago,  
17 primarily to build projects that would be a model for  
18 other communities.

19 And I have been fortunate to have the  
20 opportunity in the last four decades to have arose in  
21 the nonprofit, the public, and the private sectors,  
22 and to work on housing developments and policies that  
23 have made an impact in the Bay Area.

24 This committee is looking at ways in which  
25 property tax abatements can be a tool to spur more

1 construction of middle-income housing.

2 I would like to give an example of a project  
3 that I built, which was finished at the end of 2018,  
4 and a project that we have on the boards right now.  
5 Both are in Union City. And there's dramatic  
6 differences in the cost that we face now versus when  
7 we built that first project about three years ago.

8 And what I would like to do is to start my  
9 slides, and share that. And let me know if --

10 MS. CICHETTI: Excuse me.

11 I think we're having difficulty about you  
12 sharing slides at the moment.

13 MS. TSEN: I see.

14 MS. CICHETTI: If you could present without  
15 your slides. And you could submit them into us  
16 later, we can share them.

17 MS. TSEN: I see. Okay.

18 Well, I'm sorry that we don't have the  
19 images. Because the images really show how important  
20 this type of housing is. And that it's not just  
21 about housing, it is about about building a  
22 neighborhood and the community.

23 And much of what Windflower creates is  
24 actually about neighborhoods that are vibrant, have a  
25 mix of uses that are walkable, bikeable, and

1 accessible by public transit.

2 So I start with the story of a small  
3 progressive city that transformed a brownfield into a  
4 new walkable residential community next to the BART  
5 station.

6 The city is Union City in mid-Alameda County  
7 next to Fremont. And I have a picture that shows the  
8 defunct Pacific Steel facility and PG&E pipe yard  
9 right next to the Union City BART station.

10 Union City, when there was a redevelopment  
11 agency, it leveraged the redevelopment funds and  
12 state grants to mediate the land and put in new roads  
13 and infrastructure.

14 And that set the possibility for private  
15 developers, like myself, to come and build a new  
16 residential community here.

17 And so Windflower was chosen by the city as  
18 a massive developer. And it is transforming the area  
19 with a high standard of design creating a walkable,  
20 bikeable, sustainable district with a choice of  
21 housing options.

22 One of the photos that I show, shows a whole  
23 range before the building. Next to the market-rate  
24 project is the 157 units, a very low-income to  
25 moderate-income housing, which is done in conjunction



1 with nonprofit MidPen Housing.

2 But next to it is the Windflower market-rate  
3 housing, where the rents are affordable to  
4 middle-income households making less than 120 percent  
5 of median income.

6 And who are the middle-income tenants that  
7 we're housing? Exactly the demographic that we  
8 expected when we designed and built the project.

9 There are young professionals starting out  
10 as low-level employees of tech firms, biotechnology  
11 firms, who are in the health industries. They work  
12 for Facebook, Meta, Tesla. They are nurses and  
13 health workers as well.

14 It is exactly the demographic that needs  
15 this middle-income housing, and is affordable still  
16 to those who make 100 to 120 percent median income.

17 So how do we achieve this when construction  
18 costs are spiraling out of sight?

19 And our company actually pays a lot of  
20 attention to lowering the cost of construction by  
21 very efficient design.

22 So one way of doing it is certainly by using  
23 good design methods, and being very careful about  
24 what the costs are.

25 But despite all the attention to

1 construction costs, they have been spiraling out of  
2 sight. And as an example, our next project, which is  
3 443 units in the three-and-a-half acre site adjacent  
4 to this first apartment that we built, the  
5 construction costs have spiraled out of control.

6 And so 443 units that has been entitled is  
7 ready to start construction. Construction costs have  
8 come in, and, in fact, we cannot make this project  
9 work today.

10 So a tool like the property tax abatement is  
11 very important to us. Because what it does is it  
12 reduces the operating costs in the initial use, so  
13 that we are able to actually finance more of the  
14 project.

15 And it's an important way that would have an  
16 immediate impact on the feasibility of these  
17 projects.

18 You have heard from other cities what  
19 they've done, New York, Seattle, Chicago, Washington  
20 State to name a few.

21 But, you know, every project that we do, we  
22 have to go through an exhausting marathon of value  
23 engineering and keeping costs in check when  
24 construction prices are soaring.

25 We need to search for equity that is going



1           But I really appreciate that your committee  
2 is investigating this topic. This tool is so  
3 important to make possible the construction of  
4 projects such as mine. And I thank you for that.

5           And I'm willing to take any questions that  
6 you might have.

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

9           We have worked out our technical  
10 difficulties on our end, so presenters will be able  
11 to present their shared slides.

12           MS. TSEN: I am so sorry. Because part of  
13 my wanting to show you the projects that we have  
14 built is that these are properties which are in fact,  
15 you know, making vibrant spaces. Where there used to  
16 be industrial land, we're making into much more  
17 productive uses.

18           And I'm sorry you were not able to see the  
19 slides that I had.

20           MS. COHEN: Perhaps you'd be willing to  
21 e-mail our office. I can be your -- serve as your  
22 point of contact, and we can disseminate your slides,  
23 not only to the colleagues on this body, but also  
24 post it to the BOE website so the members of the  
25 public can also receive the information. So that

1 everyone has access.

2 And this goes for all the presenters that  
3 are going to be presenting today.

4 With that said, I'm told that we've got our  
5 two presenters in the waiting room. We've got  
6 Mr. Witte and Mr. Johnson in the waiting room.

7 Does that sound right? Online?

8 Do you see them?

9 And, Fei, how do you pronounce your last  
10 name? Tsen.

11 MS. TSEN: Tsen. Fei Tsen.

12 MS. COHEN: Thank you.

13 Thank you very much for your perspective.  
14 This was important, and we look forward to receiving  
15 your e-mailed slides.

16 Thank you.

17 Okay. We're going to move on to another  
18 speaker.

19 Ask AT&T -- I'm asking AT&T --

20 MS. CICHETTI: Yeah, we can go to the  
21 moderator.

22 MS. COHEN: -- if they have any of our  
23 speakers.

24 Thank you.

25 MS. CICHETTI: AT&T moderator, is there

1 anyone on the line who would like to make a public  
2 comment regarding this item?

3 AT&T MODERATOR: Once again, ladies and  
4 gentlemen, for public comment, please press one, then  
5 zero at this time.

6 MS. COHEN: I'm told Mr. Johnson and  
7 Mr. Witte are on the AT&T line.

8 AT&T MODERATOR: Currently in queue we have  
9 Mr. Michael Johnson.

10 Your line is open. Go ahead.

11 MS. COHEN: All right. Great.

12 Let's get Mr. Michael -- Mr. Johnson online.  
13 Mr. Johnson, good to see you -- or hear from  
14 you.

15 Mr. Johnson is the CEO and President of  
16 UrbanCore Development.

17 Mr. Johnson, can you hear us?

18 MR. JOHNSON: Yes. Can you hear me?

19 MS. COHEN: Yes. Thank you.

20 It's Malia Cohen.

21 Good afternoon.

22 MR. JOHNSON: Yes.

23 Hello. How are you --

24 MS. COHEN: Good.

25 MR. JOHNSON: -- Malia?

1 I hope it's okay that I address you as  
2 Malia. We've known each other quite a while.

3 MS. COHEN: We have.

4 MS. COHEN: Anyway, good afternoon -- I  
5 guess it's good morning to Members of the Board of  
6 Equalization.

7 As was mentioned, my name is  
8 Michael Johnson. I'm a developer based in Oakland.  
9 I have been in the development business in the  
10 Bay Area for over 30 years.

11 I have been working with Michael Lane and  
12 other members of this sort of ad hoc working group,  
13 trying to promote the development of more mixed  
14 income housing throughout the Bay Area.

15 I want to preface my brief remarks by  
16 saying, you know, my experience in California  
17 and in the Bay Area regarding the process of getting  
18 entitlements is that, you know, inclusionary zoning  
19 is something that is very important.

20 It is -- it is a political issue that is  
21 very important in all communities. And I think the  
22 result of it is more inclusionary communities that we  
23 should -- that we should be building.

24 A part of that whole effort is the  
25 challenge around financing those transactions. I

1 would like to highlight briefly that we completed a  
2 mixed-income project at the Coliseum BART Station,  
3 which was one of the few mixed-income transactions  
4 done in East Oakland. Where we had 50 percent of the  
5 units that were affordable tax credit units at 50 and  
6 60 percent of AMI, and 50 percent that were market  
7 rate.

8 And in doing so, you know, we created a  
9 mixed-income community that is very vibrant, but it  
10 wasn't without challenges. And it was only because  
11 of the participation by both the state, the city of  
12 Oakland, and Alameda County, that we were able to  
13 pull together the necessary financing in order to  
14 make that project work.

15 However, that type of transaction is not  
16 repetitive. BART would like us to do additional  
17 development at that station, but it would only come  
18 about as a result of higher density and the  
19 additional financing tools that are being discussed  
20 by this Work Group.

21 Specifically, having the ability to have tax  
22 exemptions on moderate-income units within the  
23 project, because that has been an impediment. That  
24 whole missing-middle section of our community is one  
25 where we are not able to find financing tools. And



1 so what's being discussed here that would become part  
2 of the budget is very critical to try to move those  
3 projects forward.

4 So I urge the committee to, you know,  
5 proceed with considering these types of alternatives.  
6 And it will result in more mixed-income housing,  
7 particularly in some of our lower or moderate-income  
8 communities and high-cost areas like the Bay Area.

9 So thank you for your time to speak with  
10 you.

11 MS. COHEN: Okay. Thank you very much,  
12 Mr. Johnson. I appreciate your presentation.

13 And I'm going to bring in Mr. Bill Witte,  
14 who is going to be coming in online.

15 Mr. Witte, we see you on screen.

16 Thank you for taking time to be with us.

17 So, gentlemen, what I'd like to do is, we'll  
18 hear from Mr. Witte, and then we will have questions  
19 for you both.

20 So, Mr. Johnson, stay on the line, so we can  
21 answer questions.

22 And if Ms. Tsen is still on, we can pose all  
23 of our questions collectively to this panel.

24 Mr. Witte, are you ready to present?

25 MR. WITTE: I am.

1 MS. COHEN: Good.

2 MR. WITTE: And thank you very much for even  
3 holding this hearing.

4 It's a complicated topic, but I think a very  
5 timely one. And I appreciate the opportunity to  
6 appear before you.

7 I'm sorry I couldn't be there in person, but  
8 not for a lack of interest.

9 Just very briefly, let me say, I'm the  
10 Chairman and CEO of Related California. And we have  
11 offices in Irvine, LA and San Francisco.

12 We do -- we are one of the more active  
13 developers in the state of 100 percent affordable  
14 housing. But we are also, which I think is  
15 particularly relevant today, the most active  
16 developer of mixed-income housing.

17 So we have a very, I think, detailed  
18 perspective on this question, particularly, the  
19 economics of it.

20 I would say that right now you probably  
21 heard this, there's sort of a dual problem.

22 First of all, because of increasing  
23 construction costs, which I will give some detail on,  
24 as well as increased interest rates, there's just an  
25 infeasibility problem across housing that isn't just

1 completely subsidized.

2           There is, at the same time, understandably a  
3 desire for more affordable housing. And mixed-income  
4 housing has long been a tool in the tool shed that we  
5 have explored -- exploited to do that.

6           And I want to emphasize that for us, we have  
7 20 percent low-income units in some of the most  
8 expensive projects in the state.

9           Mixing incomes is not an issue. Don't let  
10 anybody tell you it is. It's not an inhibition to  
11 renting high-end market-rate units. In fact, in the  
12 most expensive areas, it's a very useful tool, and it  
13 works very well.

14           We have over 2,000 units of that in  
15 San Francisco alone, and many more in LA, and some in  
16 the works.

17           So if you look at those problems together,  
18 what can the government do to help?

19           Well, there's a lot of talk and legislation  
20 now about expediting process. That's great, but  
21 that's not going to move the needle significantly on  
22 cost. I mean, it's worth doing, but it's not going  
23 to change this equation very much.

24           Then there's direct subsidies, which are  
25 typically applied local and state to 100 percent

1 affordable projects. And there's a lot of activity  
2 in that realm.

3 But at this hearing, it's in this arena of  
4 either trying to get to apply inclusionary housing  
5 affordability requirements to market-rate projects  
6 that generate additional affordable housing, or  
7 simply, as Michael Johnson, I heard, talking about  
8 reaching the missing middle in the area, at least in  
9 the high-costs area, is not being served at all.

10 Let me give you a project we're working on  
11 in San Francisco now as a good example of this. This  
12 project is at 98 Franklin Street in the Hayes Valley  
13 neighborhood of the city, fully entitled, ready to  
14 start within the next several months.

15 We agreed before COVID to 25 percent  
16 affordability, 20 percent low, and 5 percent,  
17 100 percent of median. Pretty significant.

18 This is three blocks from a very successful  
19 550-unit high-rise that's 20 percent low income that  
20 we completed three years ago at Mission and  
21 South Van Ness.

22 The construction cost for a very similar  
23 project, it's a 35-story building, are 40 percent  
24 higher today than they were four years ago. Forty  
25 percent. There are over \$500 of gross square foot.

1           And rents, we're doing fine. And, of  
2 course, Malia, you're well aware of our Portrero Hill  
3 project, which is also 20 percent low income.

4           But you can't make up for that type of a  
5 cost. You can't just keep pretending that rents are  
6 gonna keep escalating into the sky.

7           So based on the experience that we've seen  
8 in some of our other affiliates in Illinois and  
9 New York, and other places, in Oregon, as I think  
10 you've heard, there's a lot of examples of cities and  
11 states even using property taxes to help generate,  
12 not just housing, but mixed-income housing.

13           And here, since it's not frankly politically  
14 tenable, as those states have done to have a waiver  
15 of taxes. We have been in discussions with SPUR and  
16 others about a reimbursement of taxes over a ten-year  
17 period.

18           Now, in the 98 Franklin example, where right  
19 now the returns to investors to get this financed and  
20 filled are well below market. And I think you know  
21 we're pretty ambitious developers. We just opened  
22 the Grand Avenue Project with Frank Gehry in LA.  
23 It's 20 percent low income also. So we're not afraid  
24 of complicated projects.

25           But right now, it doesn't make economic

1 sense. If this project were to get a ten-year  
2 reimbursement, property taxes are about 2.4 million a  
3 year. So over ten years, that's 25, 26, 27 million.  
4 That's just hypothetical. We're not saying this is  
5 the proposal on the tape.

6 Now, that's 325 units, of which almost  
7 90 are affordable. So if you took those units and  
8 just say all you're really doing is getting  
9 90 affordable units, let alone the other 250 or so of  
10 additional needed housing that the city and others  
11 need, that's about 300,000 a unit just for an  
12 affordable unit.

13 Well, in San Francisco, today, 100 percent  
14 affordable unit requires like 500,000 a unit or more  
15 in subsidy. So while that's hardly a small number,  
16 it is not -- it is a relatively efficient way, not  
17 only to get more affordable housing, but to get more  
18 market-rate housing in general, and in a mixed-income  
19 setting. So I think it's worth thinking about it in  
20 that context.

21 Now the same cost increases have occurred up  
22 and down the state. So while San Francisco, as  
23 you've probably read, is now the most expensive city  
24 in the world to build, LA and San Diego, where we  
25 also have projects, have experienced the same

1 challenge. And we are eager to continue doing  
2 mixed-income housing.

3 So now what would you have to do in such a  
4 program to be eligible for it?

5 I mean, being realistic, this can't just be  
6 easy for anyone. We're asking for almost a pilot  
7 program type of approach here.

8 I'm assuming that there have to be at least  
9 15 percent or more affordability to be eligible.  
10 We're assuming that there be payment of prevailing  
11 wages on construction. And there'd have to be a  
12 market determination that you really needed it.

13 I mean, California Housing Finance Agency is  
14 equipped to administer a program like this. So that  
15 certainly could be considered.

16 So I'm just proposing this at kind of a very  
17 high level today, because I appreciate your  
18 involvement in this.

19 And, again, I want to emphasize to us, this  
20 is just economics. It's not a concern about mixing  
21 lower income or moderate income housing in a  
22 market-rate project. We do it all the time.

23 So I thank you for that opportunity, and  
24 would be happy to answer any questions.

25 MS. COHEN: Thank you very much, Mr. Witte.

1           Hold on. Let me just double check with my  
2 team here.

3           Ms. Cichetti, if I'm not mistaken, are we  
4 taking questions --

5           MS. CICHETTI: Questions for the panel right  
6 now.

7           MS. COHEN: Right now. Okay. Thank you.

8           So this is -- these are questions that, if  
9 Mr. Spear is on, Ms. Norwood -- Ms. Ruane, if she's  
10 still here.

11           Just making sure that you're still available  
12 to answer questions.

13           Mr. Witte, Mr. Johnson, Ms. Tsen.

14           And I think we will hear from Mark Stivers  
15 and Shelly Scott after lunch.

16           MS. CICHETTI: Yes. They're scheduled for  
17 after lunch.

18           MS. COHEN: Okay. Great.

19           All right. Look, we've got everybody on.

20           Okay. Colleagues, fire them away.

21           Go ahead.

22           Vazquez.

23           MR. VAZQUEZ: Yes.

24           This is a question for Bill.

25           Thanks for coming on, Bill.



1           I know you've done some great things,  
2 especially in Santa Monica, where you're talking  
3 about high end and mixing it in with low-income  
4 affordable units. And I was just more interested in  
5 your ideas and suggestions as we're talking about the  
6 economics of it, and what maybe the state can do from  
7 your experience to, one, reduce the cost, and  
8 hopefully expedite the process.

9           Because I know for a lot of the nonprofits  
10 and for-profits, time is money. And if it's taking  
11 two to three years to get your entitlements and get  
12 every -- all your tax credits, packaged everything  
13 together, that's a waste of money.

14           MR. WITTE: Well, thank you for that.

15           As you know, in Santa Monica there's  
16 different ways to do mixed income. Our older  
17 project, very successful, was 158 luxury condos and  
18 160 low-income tax-credit financed units side by  
19 side. And the money we paid to the city for the  
20 condos was used to help subsidize the affordable.

21           But if we're talking, as we are today, I  
22 think about, within a building, we have a current  
23 project in Santa Monica, 275 units of wit replacing a  
24 Vons supermarket. You build on top of it, at which  
25 30 percent would be affordable.

1           That was plausible, because the rents in  
2 Santa Monica are higher than any place in California  
3 in an urban setting. So there's room to internally  
4 subsidize.

5           But now you have the uptick in financing  
6 costs, construction costs, and ambitions like that  
7 are no longer feasible.

8           The advantage of a program like we're  
9 discussing today, whether it be used for missing  
10 middle and/or mixed income, is that, to your point,  
11 it could be done more quickly. It wouldn't require  
12 seven subsidy sources. It wouldn't require, you  
13 know, dealing with three state agencies. It would  
14 require resources.

15           But as I said earlier, I think one could  
16 argue it's an efficient use of resources. So as we  
17 continue to fret about the inability to serve these  
18 populations, this would be a very efficient way to do  
19 it, particularly, in the highest cost areas where the  
20 affordability gap is the greatest.

21           MR. VAZQUEZ: Thank you.

22           MS. COHEN: Any other questions?

23           MR. SPEARS: Perhaps if I can add to --

24           MS. COHEN: Yes, please. Go ahead.

25           MR. SPEARS: Yeah.

1 Bill's statement, because I think it's a  
2 really important one.

3 We are, you know, a traditional affordable  
4 housing developer, primarily served folks at  
5 60 percent of AMI or less in each of our communities.

6 But we're also recognizing that the  
7 narrowing of the resources available for that  
8 development, and the competition has created sort of  
9 a race to the bottom in terms of the deep  
10 affordability.

11 That, then, creates a challenge for us to  
12 really try to address the, you know, the needs on the  
13 moderate side of the spectrum.

14 You know, we were the first nonprofit to  
15 take advantage of the California Housing Finance  
16 Agency's Mixed-Income Program. And we're on our  
17 second deal that we just broke ground on in  
18 National City.

19 Being able to mix in a higher level of  
20 income level -- of units really gets us the  
21 opportunity to serve the more broader needs in our  
22 communities.

23 And if there was additional resources, and  
24 you know, really, frankly, from -- out of -- it would  
25 come out of your leadership in terms of expanding the

1 range of -- for the welfare tax exemption, that would  
2 allow developers like us, and like Bill and  
3 Mike Johnson and others, to really be able to move  
4 forward on those types of transactions, which are  
5 holding the unit.

6 I would also say very quickly, this is also  
7 the opportunity to have an anti-gentrification  
8 measure. If you get the opportunity to, whether it's  
9 building new units or purchasing existing  
10 unrestrictive properties and then bringing  
11 affordability restrictions to those, that then locks  
12 in some affordable units in communities, and,  
13 particularly those that may be facing gentrification  
14 pressures and highly-accelerating rents.

15 It's a means to make sure that the people  
16 that live in those neighborhoods get to stay in those  
17 neighborhoods. And I think that would be an added  
18 benefit to what you were thinking about here.

19 MS. COHEN: Mr. Epolite?

20 Nothing?

21 Colleagues?

22 Mr. Gaines.

23 MR. GAINES: Yeah.

24 I wanted to thank you all for your  
25 presentations.

1           But I had a question for Mr. Bill Witte, if  
2 you could help me with this -- with the mixed income.

3           Are you saying that you simply can't build  
4 them now because of these increased costs?

5           MR. SPEARS: Well, as some of my colleagues  
6 on this call have said, right now, even if there  
7 weren't a mix of incomes, it's difficult to build  
8 because of costs.

9           But I'm saying there's a political reality  
10 that mixed income is highly desirable, often required  
11 in high-income areas.

12           And the reality is that most of these  
13 projects, and I'm not saying these are bad, but they  
14 carry a host of public policy objectives. Labor  
15 standards, mix of income, local hiring, things like  
16 that. Those are all good things. But in a time of  
17 record-high costs, yes, I'm saying it's no longer  
18 feasible.

19           Sean makes an interesting point, because I'm  
20 talking about sort of luxury projects that in fact  
21 would help combat anti-gentrification arguments as  
22 well. Sean's talking about affordable projects that  
23 are coming at it from the high end.

24           Both are achieving the similar goal, the  
25 different type of project. I think that's important.

1 Because it isn't just one minor category of projects.  
2 They're different -- it gives local governments the  
3 flexibility to tailor this to whatever their  
4 particular policy priority is. But all aimed at  
5 mixed income.

6 And, again, you know, the mix of income  
7 thing, it's just a loss of income in the economics.  
8 As I said, it works socially, but when you have  
9 record-high costs, and you can barely pencil projects  
10 where you get free land and have no affordability,  
11 then to add a mix of incomes on it, which everybody  
12 thinks is desirable, becomes very challenging.

13 MR. GAINES: Yeah. Thank you very much.

14 And would the other panelists like to weigh  
15 in on that?

16 MR. JOHNSON: Yeah.

17 This is Michael Johnson.

18 I just want to weigh in one more -- with a  
19 couple more comments.

20 You know, Sean was talking about, you know,  
21 affordable projects, which his company does as  
22 primarily the nonprofit. Clearly, Related is  
23 building at the high end of the market with a mix of  
24 affordability, and our company, UrbanCore  
25 Development, in addition to being a Black development

1 company, our focus has been in transitional  
2 communities, which are usually minority, that are  
3 surrounding many of the -- most of the urban areas.

4 And in those locations, you know, what we're  
5 trying to do is not just build 100 percent  
6 affordable. The market doesn't support high-end  
7 mixed income. So we're really ending up with what is  
8 a term that many people have been using for years,  
9 which is workforce housing, which is synonymous now  
10 with the missing middle.

11 And so we're really talking about projects  
12 that have the high end of the programming as 100 to  
13 120 percent of AMI, and then the mixed-income  
14 component is -- that might represent anywhere from  
15 15 to 30 percent of the units that are tax-credit  
16 units that are in the 50 percent range.

17 So if you do like a 60/40 bond transaction,  
18 and in that situation, there are -- there is not  
19 funding available for the higher, you know, portion  
20 of the project, the 100 to 120 percent. And so  
21 that's where this type of property tax refund program  
22 would help in getting those units financed within a  
23 project, in addition to the tax credits that would  
24 support, you know, the level of income that's below  
25 60 percent.

1           But even in this type of transaction, we  
2 will still need to apply to the state or the city or  
3 the county for other levels of subsidy. But being  
4 able to have property tax relief on the upper portion  
5 of this mixed-income project, you know, is critical.

6           We didn't have that relief in our Colosseum  
7 project. We actually paid 50 percent of the property  
8 taxes on the units that are not tax credit, and most  
9 of those units have families in them that have  
10 incomes between 80 and 120 percent.

11           But what I'm speaking to is the need going  
12 forward to be able to create this tool in order to  
13 continue to do these types of projects.

14           Thank you.

15           MR. GAINES: Great. Thank you very much.

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

17           Folks, we are going to pivot to take public  
18 comment.

19           We're going to check the line. Please hold.

20           MS. CICHETTI: AT&T moderator, please check  
21 the line to see if there's anyone who would like to  
22 make a public comment regarding these items.

23           AT&T MODERATOR: Thank you very much.

24           Ladies and gentlemen on the phone lines, if  
25 you would like to make a public comment, please press



1 one, followed by zero at this time. One followed by  
2 zero.

3 We are having no participants queue up at  
4 this time.

5 MS. TSEN: Madam Chair, I'm sorry.

6 I was not muted -- I was muted, so I could  
7 not make my comment. May I make a comment now?

8 MS. COHEN: Yes, please. Yes. Let's get  
9 your voice.

10 MS. TSEN: Thank you.

11 I think that, if I could say,  
12 Windflower Properties, in this latest project,  
13 although we've done many affordable housing projects,  
14 it's a market-rate development, 100 percent market  
15 rate.

16 Because we built the affordable housing  
17 first in the first phase. So this phase, these next  
18 two phases are market rate.

19 And if we are going to have a -- a  
20 production of units, to have the private market do  
21 that without public subsidy, it's so important with  
22 these construction costs. Just a little relief in  
23 the property taxes makes such a difference in the  
24 operating expenses, so that these projects, without  
25 public subsidy, can go forward.

1           And what you want to do is incentivize  
2 private developers like myself to be able to build  
3 more for this middle-income group.

4           So I -- I would say that if you can do a  
5 pilot project, you know, which allows for property  
6 tax abatement for projects that are transit-oriented,  
7 that are sustainable, that are innovative, I think  
8 that it would allow private developers to do  
9 something at a time when actually no other  
10 developments are actually going forward without  
11 public subsidies.

12           So thank you.

13           MS. COHEN: Thank you for lending your  
14 voice.

15           Wanted to see if Ms. Ruane had any  
16 comments.

17           MS. RUANE: No. I just agree with that  
18 comment so completely.

19           MS. COHEN: Okay.

20           MS. RUANE: We have to enable the developers  
21 to develop. We need housing. We need to get out of  
22 their way, and let them do it.

23           MS. COHEN: With that said, let me ask a  
24 question to all the developers.

25           Recently it's come to my attention that

1 there's a shrinking pool of insurers to insure your  
2 projects. And these are your affordable housing  
3 projects.

4 Maybe you can describe to me some of the  
5 challenges, if at all, that you're seeing.

6 Does that sound familiar, insurers?

7 MS. RUANE: I'd defer to Mr. Spears or one  
8 of the other active developers on that.

9 MS. COHEN: Okay. So one of the other  
10 active developers. We've got Mr. Spears, we've got  
11 Mr. Johnson and Mr. Witte. We've got Ms. Tsen.

12 If you guys would like to comment, please do  
13 so.

14 MS. TSEN: I -- I would say the project that  
15 we did, the first project that we did, actually, we  
16 used innovation. We used modular technology. And it  
17 was a way to decrease the cost of construction to  
18 build those units off site, and then bring them to  
19 the site when they were ready.

20 And there is right now a problem with  
21 insurance for the modular industry. And that is  
22 something to look into.

23 MR. SPEARS: Yeah.

24 I would add just very quickly, I think this  
25 is definitely a major concern, not only for new

1 development and the assumptions we have to make  
2 around where insurance is going, but also for our  
3 existing portfolios. And what we end up having to do  
4 is really develop a fine-tune model for reviewing  
5 insurance.

6 We have traditionally had a blanket policy  
7 for our entire portfolio with an insurance provider.  
8 But, in essence, we had to break that up. Because  
9 not only is there just a general overall increase in  
10 insurance, there's also much higher rates in certain  
11 areas of the state, particularly areas that are  
12 deemed in the fire zones.

13 So that has forced us to have a more nuanced  
14 approach to insurance, and really doing a lot more of  
15 shopping in order to find insurance that stays within  
16 what we originally assumed for the operation of the  
17 properties.

18 MS. COHEN: Thank you. I appreciate that.

19 That's some of the things that I'm hearing  
20 from conversations that I'm having within the  
21 affordable housing and the development community  
22 across the entire state, is that not only are we  
23 dealing with -- we, as a Board of Equalization, are  
24 focused on tax abatement, using that to stimulate  
25 development, but also realizing that we're working in

1 an environment where it's becoming just increasingly  
2 difficult to produce.

3 When I say difficult, I mean affordable.  
4 Making it very -- it's very difficult to create  
5 affordable housing to bring to the marketplace,  
6 because the environment that you're doing business in  
7 is incredibly expensive, and somebody's got to foot  
8 the cost.

9 MR. SPEARS: Yeah.

10 MS. COHEN: So thank you.

11 We're going to have to keep moving forward.

12 I appreciate your conversation.

13 We've got no more public comments.

14 So, Ms. Cichetti, what's next on the agenda?

15 MS. CICHETTI: We have a lunch break,  
16 hopefully.

17 MS. COHEN: A lunch break. Okay.

18 Fantastic.

19 Thank you for your time.

20 We are going to take a 45-minute lunch  
21 break; therefore, we will be reconvening at 1:15 this  
22 afternoon.

23 Thank you. We are in recess.

24 (Whereupon the lunch break was taken.)

25 MS. COHEN: I'd like to call this meeting

1 back into session. It is 1:22 -- 1:22.

2 And, Ms. Cichetti, if you could just remind  
3 us where we are on the roll.

4 MS. CICHETTI: Yes.

5 We are continuing on the fourth item on  
6 today's Board Work Group agenda, Examining the Impact  
7 of Abatements to Incentivize the Development of  
8 Housing in California: "Why do abatements matter?"

9 Our speaker this afternoon is  
10 Mr. Marc Stivers, Director of Advocacy, California  
11 Housing Partnership.

12 MS. COHEN: Excellent.

13 Marc Stivers, thank you and welcome.

14 It's good to see you.

15 MR. STIVERS: Good afternoon, and welcome  
16 back to this riveting and important discussion of  
17 affordable housing.

18 MS. COHEN: Yes.

19 MR. STIVERS: My name is Marc Stivers.

20 I work with the California Housing  
21 Partnership. In my 25 years of affordable housing  
22 finance, I've also served as the Principal Consultant  
23 to the Senate Housing Committee, the Executive  
24 Director of the Tax Credit Allocation Committee  
25 overseeing the Low-Income Housing Tax Credit Program,

1 and overseeing the Department of Housing's Financing  
2 Program. So bringing a good bit of experience.

3 The California Housing Partnership for which  
4 I now work is actually a state-chartered nonprofit  
5 created by the Legislature to facilitate the  
6 development and preservation of rental housing for  
7 low-income families.

8 My colleagues secure the financing for  
9 roughly 200 low-income housing tax credit  
10 developments per year throughout the state.

11 So we're intimately involved in affordable  
12 housing finance, more in the low-income range.

13 The Welfare Exemption is a critical part of  
14 that financing, as Mr. Spears described before lunch.  
15 It reduces expenses by about ten percent. We can  
16 then leverage more private debt, we need less public  
17 subsidy. That is all a very good thing.

18 And in this context, we're talking more  
19 about middle-income housing. And that property tax  
20 abatement can play the exact same role. It, too, can  
21 increase or decrease expenses, and allow developments  
22 to leverage more private financing, which then makes  
23 them feasible, right?

24 So it's a very -- it can be a very critical  
25 tool in both spaces.

1           My point here today, though, is to add one  
2 point to the discussion, and that is that a property  
3 tax abatement, though, is a public subsidy of a sort,  
4 right?

5           These are -- otherwise, taxes would be paid.  
6 They would be going for schools. They would be going  
7 for city and county services, etc.

8           And when we give it public subsidy, we need  
9 to make sure that we are getting a commensurate or public  
10 benefit in return. And that's where really the  
11 discussion should lay. As we think about expanding  
12 into this middle-income space, we need to make sure  
13 we're achieving that aim as well.

14           And I just want to share with you a little  
15 bit of data, according to CoStar, which is a major  
16 kind of for-profit data collection firm, their data  
17 from 2021, market rents in 42 of California's 58  
18 counties are currently at or below 80 percent of area  
19 median income. And only 17 -- or the other 16  
20 counties market rents are between 80 percent and  
21 100 percent of AMI.

22           So we're talking here about a property tax  
23 abatement for developments that could go up to  
24 120 percent of area median income, which is in all  
25 counties above the general market level.



1           Now, there are individual zip codes and  
2 submarkets within those counties where rents are  
3 higher. That is true. And then there's more of a  
4 public benefit. But we need to make sure that if  
5 we're going to provide a property tax subsidy, that  
6 we have rents below the general market, or at least  
7 the market for that area. And I think that's the key  
8 point that I want to make today.

9           In other programs, we do sort of expect to  
10 see a 10 percent reduction from general market rents.  
11 In the tax-credit world, that's not really an issue.  
12 We get market studies, but they're not -- frankly, I  
13 didn't spend much time reading them when I was at  
14 TCAC, because they're inherently below the market.

15           But in this middle-income space, we're much  
16 closer to market, and we need to be much more careful  
17 about how we measure those rent savings.

18           And it's not a particularly easy question.  
19 What are the comparables, right? Are you just  
20 looking at luxury units in that market? Are you  
21 looking at the whole market? Are you looking at the  
22 entire county, or are you looking just at the zip  
23 code or the census tract? All those things sort of  
24 affect the equation.

25           Who does the analysis, is another question,

1 right? In the tax-credit world, the developers hire  
2 their own market analyst to go out and do the market  
3 study. Frankly, that's a conflict of interest. I  
4 mean, we accepted that at the TCAC level, again,  
5 because it wasn't super important. But if you're  
6 talking in this space, we probably want more  
7 objectivity to that as well.

8 So I just raise these issues. We, at the  
9 partnership, are fully in support of building more  
10 middle-income housing. We are fully in support of a  
11 property tax abatement to do. It is a key financing  
12 tool.

13 But as we go down this road, we just need to  
14 make sure -- we all need to make sure that we're  
15 getting a commensurate public benefit for that public  
16 investment. And that should be in a form of rent  
17 savings below where the general market is, at least  
18 for that development.

19 So that, I will -- I will stop.

20 There were a number of questions from  
21 earlier in the day that I have experience with. If  
22 you want to come back on them, for example, like why  
23 the property tax exemption currently require public  
24 financing, etc.

25 I was just in the Capitol when those all

1 occurred. But I'm happy to take any questions that  
2 you would like.

3 MS. COHEN: Actually, you can start there.  
4 You can answer that question. I'd love to hear your  
5 opinion.

6 MR. STIVERS: Yeah.

7 So that goes back to 2000. And prior to  
8 2000, you did not need public financing to obtain the  
9 Welfare Exemption.

10 Again, the Welfare Exemption is just for  
11 low-income housing, not in this middle-income space.

12 And what was happening down in LA is  
13 that -- frankly, that slumlords were kind of  
14 recording their own regulatory restrictions against  
15 the property. No one was monitoring them. And they  
16 were basically getting property tax exemptions for  
17 properties that were not well maintained and were not  
18 monitored.

19 And there was questions about whether the  
20 residents were even getting the property tax benefit  
21 in terms of lower rents.

22 And so a bill was passed back in that time  
23 to say that, you know, there needs to be a public  
24 entity involved here, right? And the way that  
25 they -- and public entities generally would not

1 record a regulatory agreement that we talked about  
2 before, unless they had some money in the deal.

3 So there's no requirement on how much money  
4 in the deal. And there have been discussions  
5 recently about just giving \$1,000 to a development,  
6 so that they -- but even then, though, there is a  
7 public entity that is engaged, that is overseeing it,  
8 and making sure that whatever property -- whatever  
9 rent savings were promised are delivered over time.

10 And so that's kind of some of the history of  
11 that. And there's pros and cons with everything, of  
12 course. And I don't think for legitimate affordable  
13 housing deals that -- it's not that everyone wants  
14 public financing to be involved in the deal, per se,  
15 it's that they want oversight to make sure that the  
16 properties are well maintained and the property  
17 benefits -- and they're providing the benefits as  
18 promised.

19 MS. COHEN: Mr. Gaines.

20 MR. GAINES: Yeah.

21 I'm just curious, do you -- are you familiar  
22 with the Welfare Exemption process through the BOE?

23 MR. STIVERS: I have never done it myself.

24 MR. GAINES: Okay.

25 MR. STIVERS: But I am quite familiar with

1       it, yes.

2                   And I think, going back to what some of the  
3       speakers have talked about previously, the biggest  
4       issue that we're hearing from the affordable housing  
5       development community right now is the amount of time  
6       it takes to get those Welfare Exemptions approved.

7                   And so they are assuming that -- they are  
8       assuming from the get-go that they are not going to  
9       be paying property taxes. But, in reality, what  
10      happens is that they pay those taxes, and then they  
11      get them reimbursed a year, two, three years later  
12      when the property tax exemption is approved. And  
13      they have to float millions of dollars for a couple  
14      years.

15                   And that is becoming a huge hit onto these  
16      developments where the cost is already high, the  
17      financing is already very tight, and we're asking  
18      them to float millions of dollars.

19                   And so that is one place that we all, I  
20      think, would agree would love to work on. And we may  
21      be interested in doing some legislation on this next  
22      year, which is to try and have kind of a pre-approval  
23      process, or a, you know -- there's certain state  
24      programs, as one of the speakers was talking about,  
25      just sort of automatically approved.

1           Now, at some point the developers will have  
2 to show that they did occupy all those units with  
3 qualifying residents. And if there's an issue, we  
4 can always true it up, and they can pay the back  
5 taxes with interest later. That would be much  
6 cheaper than having to pay the whole bill upfront and  
7 get reimbursed two years later.

8           MR. GAINES: Right.

9           And then it sounded like there was a dual  
10 approval process through the county and then through  
11 the state?

12          MR. STIVERS: I believe that is also  
13 correct. I'm not very intimately familiar with those  
14 details. But I can get back to you on that.

15          MR. GAINES: Okay.

16          And can you speak to Assembly Bill 206? Are  
17 you familiar with that?

18          MR. STIVERS: Yeah. So that -- yeah, I am  
19 familiar with that. I'm not involved in it, but I am  
20 familiar with it.

21          So that is a little bit of a different issue  
22 that we're talking about here in the middle-income  
23 housing space, right?

24          So that bill relates only to the Welfare  
25 Exemption. It only relates to low-income units that

1 are 80 percent of AMI or below. It's not expanding  
2 the Welfare Exemption or any property tax abatement  
3 above 80 percent, generally.

4 But the issue is that the tenants have to be  
5 below 80 percent AMI when they enter the unit, right?

6 MR. GAINES: Mm-hm.

7 MR. STIVERS: And then what happens when  
8 their income goes up a year later?

9 MR. GAINES: Right.

10 MR. STIVERS: Now they're above 80 percent.  
11 And in the Low-Income Housing Tax Credit Program,  
12 that's fine. We only look at your income when you  
13 enter the unit. We don't look at it thereafter, or  
14 at least it's not relevant to whether you can  
15 continue to occupy the unit.

16 For the property tax exemption though, the  
17 Welfare Exemption, it does matter if your income goes  
18 up. And if your income goes up to 100 percent or  
19 110, or whatever it is above 80 percent, the  
20 developer loses the tax exemption on that unit.

21 And they don't really have an ability to  
22 evict that person for having their income go up.  
23 That's not good policy anyway. We don't want to  
24 penalize people for having their income go up. We  
25 want them to go up overtime.

1           But yet the developer then takes a hit  
2 financially, again, to a development that has fairly  
3 tight financing. And they can't predict that.

4           And so in the tax-credit units right now,  
5 there was a law passed four or five years ago that  
6 says the developer continues to get the Welfare  
7 Exemption on that unit, as long as the tenant's  
8 income stays below 140 percent AMI.

9           So it's not 140 percent AMI a unit, it's an  
10 80 percent unit that the tenant's income has gone up.

11           MR. GAINES: Yeah.

12           MR. STIVERS: And so the bill that's before  
13 you does the same thing for land trusts, I believe.

14           And it is just a function of, we don't have  
15 to evict over income, what we call over-income  
16 tenants.

17           But it is not a Welfare Exemption for 120 or  
18 140 percent units. I just want to clarify that.

19           MR. GAINES: Yeah. Okay.

20           That's great. Thank you.

21           Yeah. Very helpful. And, yeah, any  
22 suggestions you have on how we can be more efficient  
23 in our process. Because obviously that will be an  
24 area that we'll be looking at to try to speed up.

25           MR. STIVERS: Yeah.



1           And I think there's -- I mean, there are  
2           some bills that have said in smaller context, I think  
3           Mr. Yeung was talking about the Habitat for Humanity  
4           exemption where they can get the exemption when they  
5           buy the property, as long as there's a deed  
6           restriction on it that it will be used for affordable  
7           housing.

8           I think that's one of the things we want to  
9           look at in the low-income housing space. We can save  
10          money while the product is getting its financing.

11          And then also maybe another option is the  
12          pre-approval process, where as soon as you have an  
13          award from HCD or the Tax Credit Committee, you can  
14          then just be kind of automatically qualified, subject  
15          to true up later.

16          All those I think will be super helpful.  
17          And we plan to put something together on that this  
18          fall.

19          MR. GAINES: Wonderful.

20          Thank you very much. That's great.

21          MS. COHEN: All right. On this side, any  
22          questions? No?

23          MR. VAZQUEZ: He answered mine.

24          MS. COHEN: He answered yours.

25          Is there any other wisdom you want to impart

1       upon us?

2               MR. STIVERS: I don't know that I've  
3       imparted any yet, but I just -- we thank you for this  
4       opportunity to have this discussion about  
5       middle-income housing. We are very much engaged and  
6       would like to be a part of that conversation.

7               And I think we can build more housing, and  
8       we can ensure public benefit at the same time.

9               MS. COHEN: Awesome.

10              MR. STIVERS: Thank you very much.

11              MS. COHEN: Thank you for weighing in on  
12       this conversation. Stay close to the BOE.

13              MR. STIVERS: I'll be here.

14              MS. COHEN: We're going to be making moves.

15              MR. STIVERS: I live right down the street.

16              MS. COHEN: Okay. Excellent. Thank you.

17              Ms. Cichetti, I think we're taking public  
18       comment at this time.

19              MS. CICHETTI: No, we have another speaker  
20       on this matter.

21              The Honorable Shelly Scott,  
22       Assessor-Recorder and County Clerk, County of Marin.

23              MS. COHEN: Great.

24              MS. CICHETTI: She's virtual.

25              MS. COHEN: Okay.

1           Assessor, can you hear us?

2           MS. SCOTT: Good afternoon.

3           MS. COHEN: Good afternoon.

4           Are you able to turn your camera on?

5           MS. SCOTT: I am not.

6           MS. COHEN: Okay. No problem.

7           MS. SCOTT: Can you hear me all right?

8           MS. COHEN: Yes. Loud and clear. It's good  
9 to hear your voice.

10           Thanks for being a part of this  
11 conversation.

12           MS. SCOTT: Thank you. I appreciate the  
13 conversation.

14           I just want to say good afternoon, and thank  
15 you to Chair Cohen and Board Members.

16           As I was introduced, my name is  
17 Shelly Scott. I'm the Assessor for Marin County.

18           And I'd also like to state I'm not here  
19 representing any organization. These are my  
20 individual views and concerns.

21           I appreciate the conversation today.  
22 California searching for solutions that create and  
23 maintain housing affordability at a wide range of  
24 income levels. And as we know, this is desperately  
25 needed.

1           The lack of affordable housing isn't just a  
2 local, regional, it's a national issue as well. And  
3 I know we're looking for ways to address that missing  
4 middle. And I know that newly formed joint powers  
5 agreements have been created.

6           These new JPAs are actually private  
7 companies partnering with local governments. And  
8 they're creating affordable housing in our  
9 communities that are actually trying to address that  
10 missing middle, such as teachers and safety,  
11 municipal workers who are serving our community.

12           And I have two of them here in my county.  
13 And the affordable gains are relatively limited  
14 compared to the foregone property taxes that could be  
15 used for other public services.

16           The two newly formed JPAs in my county  
17 purchased existing housing stock that were assessed  
18 for property taxes. And once those properties were  
19 acquired by the JPA, the property taxes were  
20 immediately abated, and approximately 220 million was  
21 removed from the assessment roll.

22           And this resulted in an immediate loss of  
23 funding for our schools, safety, social services.  
24 And I think that really needs to be noted.

25           It's been recently reported in our local

1 newspaper that both those local school districts  
2 where these JPAs acquired these properties, they lost  
3 that revenue stream, and they're facing financial  
4 hardships.

5 One school district actually cut its TK  
6 program, which is transitional kindergarten. And the  
7 other school district has made staffing and program  
8 cuts.

9 And this is really concerning. All children  
10 deserve to have a quality education in this state.  
11 And each child only has one chance at 3rd grade.

12 Our kids deserve better. And I just have  
13 real concerns. Should this JPA model continue to  
14 grow?

15 I see some really concerning fiscal impacts  
16 on local schools, fire districts, cities, libraries,  
17 all of those special districts.

18 I understand that government can't do this  
19 alone. And what I really want to convey is for us to  
20 be mindful of property taxes, and the public benefit  
21 that they bring to schools and other services.

22 Property taxes fund many services and  
23 districts, and perhaps the conversation could be  
24 about how do we backfill or limit the hit to these  
25 districts when converting private housing stock to

1 public housing stock?

2 And I think that's a conversation we need to  
3 possibly consider.

4 Also, the relationship between developers  
5 and municipalities can work in California as a JPA.  
6 I've seen many partnerships here in my own county  
7 working with nonprofits to create affordable housing.

8 And perhaps incentivizing new development,  
9 new construction, I think we can get there. I think  
10 if we're thoughtful about identifying the properties  
11 that are available for new construction, we can begin  
12 to address some of our housing needs.

13 And I think it would be really interesting  
14 to see what buildable vacant lots are out there, and  
15 to see some sort of zoning overlay map to actually  
16 look at what those possibilities might be.

17 And I think a thoughtful planning process  
18 where all the stakeholders are included could provide  
19 additional housing stock.

20 These are just, you know, my individual  
21 views. But I have to say I really appreciate your  
22 Board having this public conversation about our  
23 housing needs. Because certainly the abatements, all  
24 of this conversation needs to be had. And I just  
25 really appreciate the opportunity to talk with you

1 all today.

2 MS. COHEN: Yeah. Thank you very much.

3 Talk to me a little bit about what you're  
4 seeing in your county, and maybe what you know,  
5 anecdotally, from other assessors about property  
6 being pulled off the roll.

7 And, you know, it sounds like you're  
8 cautioning us on the impacts of JPAs.

9 MS. SCOTT: I am.

10 And I just think it needs to be thoughtfully  
11 done. I have some concerns around the bonding and  
12 financing structures around it. I don't see a lot of  
13 public benefit with some of the private models that  
14 I've been seeing.

15 Certainly, the nonprofits, you know, the  
16 underwriting there with the financial provocations  
17 are certainly, you know, that debt load service is  
18 certainly significantly less.

19 So I think that existing housing for new  
20 construction is really the way to go when we're  
21 modeling that JPA.

22 MS. COHEN: Mm-hm. All right.

23 Mr. Vazquez has a question for you.

24 MR. VAZQUEZ: Real quick along those lines.

25 Is there like a percentage point where you

1 think it makes sense?

2 Especially since, you know, we're losing  
3 potentially some property values or taxes, I should  
4 say, versus the community benefits. Is it like --  
5 should at least the project be at least 30 or 40  
6 percent affordable?

7 MS. SCOTT: I think if it's new  
8 construction, we can stay out of that critical zone.

9 I certainly don't have a number. I think a  
10 deeper dive in an analysis would have to be done to  
11 find out what that might be.

12 It's a great question, Member Vazquez. I  
13 appreciate you asking that.

14 I really truly think the way to really have  
15 the best benefits all the way around is to create the  
16 JPAs where it's actually new construction.

17 MS. COHEN: I don't see any other questions.

18 Let me see. Senator Gaines, do you have any  
19 questions?

20 All right. All right, Assessor. Thank you.

21 I don't have anything else.

22 If there's nothing else for you, we can let  
23 you go.

24 MS. SCOTT: All right.

25 Hey, thank you so much.



1 Have a good day, everyone.

2 MS. COHEN: Thank you very much. Bye.

3 Okay. Ms. Cichetti.

4 MS. CICHETTI: We were just going to go to  
5 the AT&T operator on this item, and then we'll move  
6 to the next item.

7 AT&T moderator, please let us know if there  
8 is anyone on the line who would like to make a public  
9 comment regarding this item.

10 AT&T MODERATOR: Thank you.

11 To make comment, please press one, zero to  
12 queue up.

13 And we have no callers in queue.

14 MS. COHEN: Okay. Thank you.

15 MS. CICHETTI: Moving to the next item.

16 MS. COHEN: Please.

17

18 **ITEM NO. V**

19

20 MS. CICHETTI: The fifth item on today's  
21 Board Work Group agenda is Exploring a Statewide  
22 Solution: "What makes sense for California?"

23 The first set of speakers that we have are  
24 from the city of Los Angeles. We have the  
25 Honorable Gil Cedillo, Council Member and Chair,

1 City Council Housing Committee, City of Los Angeles,  
2 and Ann Sewill, General Manager, Housing Department,  
3 City of Los Angeles.

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

5 I'm going to call the General Manager  
6 from -- Ann Sewill from -- excuse me -- I'm calling  
7 the city of Fresno first.

8 Matthew Grundy, are you on?

9 Mr. Deputy Mayor?

10 You're here?

11 Fantastic. You're here in person.

12 Come on down. Thank you for joining us.

13 MR. GRUNDY: Thanks for having me.

14 MS. COHEN: Of course.

15 All right. Ladies and gentlemen, we've got  
16 Matthew Grundy. He's the Deputy Mayor of the city of  
17 Fresno.

18 Please take it away.

19 MR. GRUNDY: All right. Well, good  
20 afternoon.

21 Thank you, Board Members and Madam Chair,  
22 for having us here today.

23 I've come on behalf of the city of Fresno.  
24 And send my well wishes for Mayor Dyer, who  
25 unfortunately could not be here today.

1           But on behalf of both the Mayor and our  
2   entire administration, really glad that you had  
3   invited us to be a part of the conversation here  
4   today.

5           Little bit of context leading up to, I  
6   guess, our comments. When -- you know, before I  
7   joined the city of Fresno -- I'm actually a  
8   transplant from your area, Member Vazquez, down in  
9   Southern California, Los Angeles area.

10          And when moving to Fresno, I was a little  
11   bit shocked about the state of affairs in terms of  
12   housing.

13          And I went there to take on the role as CEO  
14   for Habitat for Humanity. And worked up and down the  
15   state and across our nation in terms of working on  
16   Habitat's strategic goals leading through our 50-year  
17   anniversary here in two years.

18          And when I arrived, I found myself telling  
19   my colleagues and my counterparts in the Bay and LA,  
20   that, hey, the city of Fresno is one day going to  
21   become the pressure valve release for high-cost  
22   housing in the Bay and LA.

23          Now, no one had, I think, at that point, the  
24   crystal ball to know that the pandemic would  
25   accelerate that change. But we've seen it actually

1 happen in record numbers.

2 The city of Fresno, as many know, is the  
3 fifth largest city in the state. But year over year,  
4 we've had the highest median rent increase in the  
5 nation at 40 percent. We lead New York City,  
6 New York, who is at 39.9 percent. And most folks  
7 don't know that. So we're glad to be at the table  
8 representing Central Valley.

9 While most large cities and states in the  
10 state have seen a population increase, city of Fresno  
11 is one of the few that's actually seen an increase.

12 So I know earlier, we were talking about  
13 folks leaving California. A good portion of those  
14 folks are finding themselves to a sliver of  
15 California called the Central Valley.

16 We've seen an inundation of folks making  
17 cash purchases for properties in our area. I speak  
18 with law developers regularly, and most of them tell  
19 us the No. 1 hits on their website for selling homes  
20 are right here from Sacramento and folks moving from  
21 the Bay Area. And that's what we're seeing there.

22 What's interesting about that is that this  
23 influx of folks is actually pricing out our locals.  
24 This is already an area, in the Central Valley,  
25 that's already struggling. As we know, one-third of

1 the census tracts in the city of Fresno are above the  
2 90th percentile in most economically and  
3 environmentally disadvantaged in the state.

4 So when you have this influx of folks  
5 coming, purchasing and buying up local real estate,  
6 we're seeing locals priced out.

7 While housing is still yet affordable,  
8 relative to other cities in the state, and our wages  
9 are climbing at a clip faster than any other city in  
10 the state year over year. We're not dissimilar to  
11 other cities in our state that have our own very  
12 unique challenges.

13 And so several months ago the Mayor asked  
14 that I take the lead on crafting our city's  
15 One Fresno, three-year housing strategy.

16 And the effort there was to diagnose our  
17 housing needs by affordability level and unit type  
18 across the housing continuum, and then make  
19 recommendations on how we can remedy those issues.

20 Our findings led us to putting forth  
21 47 recommendations that call for a capital  
22 contribution of over a quarter-of-a-billion dollars  
23 over the next three years.

24 The layering of those dollars and capital  
25 stacks will help us produce or create an environment,

1 I should say, to produce, preserve and rehabilitate  
2 over 7,000 affordable units, and over 4,000  
3 market-rate units.

4 Unprecedented numbers that we've seen in our  
5 area. But despite those historic investments on our  
6 part, and the Mayor frankly just this last, for this  
7 fiscal year set aside \$40 million in ARPA funding to  
8 help jump-start the housing efforts that we've  
9 recommended, in addition to other entitlement dollars  
10 that are being layered on top of that, despite those  
11 historic investments, Board Members, you know,  
12 we've -- unfortunately, those numbers only get us to  
13 25 percent of our housing need. So we have a long  
14 way to go.

15 We know certainly we didn't get here  
16 overnight. It was mentioned earlier, we didn't get  
17 here on accident. We didn't get here overnight  
18 either. So we have some work to do.

19 And so it's for that reason we are in  
20 support of deploying every possible arrow in the  
21 proverbial quiver to help us get our way out of this  
22 problem.

23 And that's why -- and I appreciate the  
24 previous person's comments. I would say, assuming we  
25 backfilled the dollars -- big caveat, and I'll

1 mention that in a moment, or come back to that in a  
2 second.

3 But assuming we backfilled the money, we're  
4 in support of leveraging property tax exemptions to  
5 help us meet the needs of our local housing crisis.  
6 Particularly, for ownership housing.

7 Nationally, 60 percent of households are  
8 owner-occupied, 40 percent are renter-occupied. And  
9 Fresno is opposite: 40 percent are actually  
10 owner-occupied, 60 percent are renter-occupied.

11 So we're trying to -- we're trying to  
12 accelerate the ownership conversion of housing and  
13 purchasing of housing.

14 I'll also say that one-third of households  
15 nationally are cost-burdened. It was mentioned  
16 earlier as defined by 30 percent or more of your  
17 income being paid for housing. It's two-thirds in  
18 Fresno. So our renters are challenged.

19 And, again, we talk about the missing  
20 middle. I know HCD and others, it's no secret that  
21 they've shared that now, recently, over one in three  
22 Californians are -- of the moderate-income makers,  
23 are now cost-burdened.

24 And so it's not just the have-nots. It's  
25 not just those people. It's us people. And I know

1 that's why we're here today.

2 So to this end, I'll kind of end where I  
3 started, supply and demand tells us that the future  
4 of our state's housing prospects are actually  
5 tethered to high-growth areas, Fresno being one of  
6 those.

7 And so your people, I speak to everyone in  
8 here listening, are going to be our people, or are  
9 our people currently, which are all of our collective  
10 people.

11 So I'll go back, I'll just say a word of  
12 caution, you know, in terms of backfilling the  
13 dollars, we're all in support of this. However, in  
14 the city of Fresno, one-third of our revenue is  
15 comprised of property tax revenue.

16 So if we do not backfill those dollars, a  
17 word of caution, we wouldn't want to have an  
18 unintended consequence of being unable to provide the  
19 other critical services our residents desperately  
20 need for the sake of solving this issue.

21 So I know it's a bit of a Rubik's Cube to  
22 solve. But I appreciate you all for being a part of  
23 this, and everyone else today who's weighed in on the  
24 matter.

25 MS. COHEN: All right.



1           So do you have a question? No?

2           Okay. We're going to pause here.

3           We're going to hear from a few other  
4 speakers, just all on the topic, and then we'll  
5 reserve our questions altogether.

6           You can stay here.

7           So next I want to see, is the  
8 Honorable Gil Cedillo available?

9           Okay. Is Ann Sewill available?

10          MS. CICHETTI: She's available virtually, I  
11 believe.

12          MS. COHEN: Okay. Let's hear from --

13                There she is.

14                How are you?

15          MS. SEWILL: I am well, thank you.

16          MS. COHEN: Thank you for joining us.

17          MS. SEWILL: Of course.

18                So thank you for the opportunity,

19 Madam Chair, and Board Members.

20                I'm Ann Sewill. I'm the General Manager of  
21 the city of Los Angeles Housing Department.

22                And we're grateful to share our experience  
23 in using the property tax abatement to support our  
24 work in producing and preserving affordable housing.

25                To set my remarks in context, I wanted to

1 share a little bit about our needs and our solutions.

2 Undoubtedly, you know that Los Angeles is  
3 large, with almost 4 million people, 5 million jobs.  
4 And we have 550,000 single-family homes, and about  
5 860,000 multifamily units.

6 Our production of new multifamily housing  
7 outstrips the rest of the state. Over the last few  
8 years, we've produced 20 percent of the multifamily  
9 units in the state, while we have only 10 percent of  
10 the population.

11 We've produced 75 percent of the units in  
12 the county, while we have 40 percent of the  
13 population. A number of these are affordable, thanks  
14 to both our local voter-approved subsidies and state  
15 and federal programs, and the density bonus, and our  
16 locally-approved transit-oriented communities  
17 programs, incentivize affordable units as part of  
18 market-rate developments as well.

19 We've permitted about 2,400 affordable units  
20 per year just using land use incentives without  
21 subsidy, and another 1,800 units per year with  
22 subsidy.

23 But these efforts are nowhere near enough.  
24 Our Regional Housing Needs Assessment goals show a  
25 need for almost half-a-million new units to be built

1 over eight years, of which 185,000 need to be for low  
2 and very low-income residents, and another 75,000 for  
3 moderate-income residents, with that workforce  
4 housing that we've heard so much about today.

5 So production and inclusive affordable  
6 production is vitally needed, and the property tax  
7 exemption for covenanted affordable units is a very  
8 important piece of making these units financially  
9 feasible. Without that exemption, our operating cost  
10 for affordable housing would be 40 percent higher.

11 Another way to look at it would be without  
12 the exemption, instead of putting 135,000 per unit in  
13 local subsidy into our projects, we'd have to put  
14 about 200,000 and 225,000 per unit.

15 So we're incredibly grateful for the  
16 partnership of the State and the BOE in  
17 administering the exemption programs. And we're  
18 also really grateful for your own interest in  
19 increasing the effectiveness of this tool.

20 We have some suggestions, which include  
21 administrative changes that this Board could  
22 consider, as well as changes that would require  
23 action by the Legislature and Governor.

24 First of all, we support the expansion of  
25 the exemption to cover workforce housing with

1 residents earning up to 120 percent of median.

2 Incentivizing more production at this level  
3 is critical to meeting our Regional Housing Needs  
4 Assessment goals, but we really want to echo what  
5 other speakers have said about the need for market  
6 analysis to determine that the exemption is needed to  
7 bring rents below market rents, as well as a  
8 long-term deed restriction that would be important to  
9 insuring the public benefit of this not-ungenerous  
10 public subsidy.

11 These seem entirely possible. And with  
12 these caveats, the use of exemptions to incentivize  
13 workforce housing, along with land use incentives,  
14 would be vital to meeting our needs.

15 We echo what's been said already about the  
16 need to streamline and standardize the process for  
17 receiving the exemptions, both through the  
18 organizational clearance certificates and  
19 supplemental clearance certificates.

20 Before 2007 -- there may be those on this  
21 call who don't remember this -- this process was  
22 centralized at BOE. After that, it was shifted to  
23 each county assessor's office. So we have 58  
24 different ways around the state of getting our  
25 welfare tax exemption for affordable housing. All of

1       which have slightly different ways of doing things,  
2       and differing requirements.

3               It would be helpful if BOE could, if not  
4       take it back and centralize it, then definitely  
5       require that all counties follow a recommended  
6       process, rather than adding additional requirements  
7       on it and taking more time.

8               Similarly, it would be helpful to streamline  
9       the applications and the reviews, so that the  
10       projects only had to report on changes each year,  
11       rather than submitting 100 percent of the information  
12       every year.

13              So if, for example, a 100-unit property was  
14       fully qualified in year one, in subsequent years,  
15       owners would only have to report on move-ins,  
16       move-outs, and any tenants whose incomes rose over  
17       the limit each year.

18              Affordable housing projects should be  
19       allowed to obtain exemptions as soon as an affordable  
20       covenant is recorded on a land site, rather than  
21       waiting until the project is completed and placed and  
22       serviced, and then requesting a refund.

23              So right now, affordable housing projects  
24       must pay their property taxes, and then once they  
25       place the project in service, they can request a

1 refund. Which is just more expense, more paperwork  
2 for everybody involved.

3 This one is perhaps my own thing. Many  
4 state and local programs these days from the  
5 Affordable Housing and Sustainable Communities  
6 programs to infill programs to the things that we are  
7 doing locally. Encourage using sites to meet  
8 multiple needs, such as housing health clinics or  
9 childcare onsite.

10 It would be helpful to allow property tax  
11 exemptions for all uses on a project. If all are  
12 nonprofit uses, that would be eligible for an  
13 exemption, even when an affordable housing  
14 development owns the site and leases the space to  
15 other nonprofit users.

16 An example of this is an affordable housing  
17 project that we subsidized in Los Angeles on a church  
18 parking lot that included 49 housing units, parking  
19 for the church, also an exempt use, and a childcare  
20 center operated by the YMCA.

21 All of these uses made sense together, and  
22 each were operated by nonprofit entities that could  
23 secure an exemption if they owned the site on their  
24 own.

25 But in order to do that, they had to use a

1 complicated air-rights subdivision, rather than using  
2 leases to accommodate the non-housing uses.

3           You know, finally, I just want to note that  
4 three decades ago, when the low-income housing tax  
5 credits became a significant source of affordable  
6 housing, the Legislature and the Board realized there  
7 was a challenge in the exemption system that provided  
8 exemptions to nonprofit organizations, and a housing  
9 funding source that required that the owner be a  
10 tax-paying entity that needed tax credits.

11           To resolve this, we required that the  
12 managing general partner of all tax credit  
13 partnerships be a nonprofit that materially  
14 participated in the development and operations of the  
15 project in order to be eligible for the exemption.

16           Although this has supported the role of  
17 mission-based nonprofits that have a commitment to  
18 operating affordable housing well over the long term,  
19 it's also opened the door to nonprofits who operate  
20 primarily to technically fill this role, but who  
21 don't add capacity or resources to the partnership.

22           It's perhaps time to review the efficacy of  
23 this requirement, and find a better way, or at least  
24 a more targeted way, to effectively ensure the public  
25 benefits of having our nonprofit partners involved.

1           It's been said by many of our development  
2 partners that affordable housing production is made  
3 really hard by the accumulation of reasonable  
4 requirements by multiple agencies. What they call  
5 the death of 1,000 cuts.

6           The city of Los Angeles is constantly  
7 working to reduce our own contribution to these  
8 delays and administrative burdens, and we're very  
9 grateful that our partners at BOE are also engaged in  
10 this effort.

11           Thank you for this opportunity.

12           MS. COHEN: Of course.

13           Thank you for your presentation.

14           Let's -- we'll go through the list of  
15 presenters, and then we'll ask questions.

16           All right. Next, I want to bring down the  
17 Honorable Pat Lock Dawson. She's the Mayor of  
18 Riverside.

19           Ms. Sewill, just hold on tight. We're going  
20 to come back to you for questions.

21           Madam Mayor, come on down.

22           And Edward Enriquez is also joining her.  
23 He's the Chief Financial Officer and Interim  
24 Assistant City Manager also for Riverside.

25           Please come join us.



1           And welcome you to make any opening remarks  
2 and talk about what makes sense for the state of  
3 California.

4           MS. DAWSON: Thank you so much for having us  
5 here today.

6           And city of Riverside really appreciates,  
7 not only the opportunity to participate, but also  
8 just your leadership that the BOE is taking with this  
9 huge struggle that every single city is struggling  
10 with throughout the state, and that's meeting the  
11 housing needs within our community.

12           So I've asked Edward Enriquez to join me  
13 today. He's the Assistant City Manager, but he's  
14 previously our CFO for the city. And so he has a  
15 good handle on our finances, and some of the sources  
16 and things that we deal with, and how that might  
17 impact -- the tax abatement might impact us.

18           So we are going to be tag-teaming a little  
19 bit for you, or presenting different -- different  
20 perspectives.

21           So just to, again, as Mr. Grundy did, give  
22 you sort of a context of what we have in Riverside.

23           We are the fastest growing county.  
24 Riverside County is the fastest growing county in the  
25 state.

1           And the city of Riverside is still  
2 relatively affordable. But not really, right? It's  
3 quickly changing.

4           So, you know, we are struggling with  
5 Los Angeles. They reported their Regional Housing  
6 assessment numbers, which are huge. But ours are  
7 18,000 units. We're on the hook for doing that over  
8 the eight years. So we are employing all sorts of  
9 tactics and techniques and partnerships in order to  
10 meet that need.

11           But Riverside has long had a lot of housing.  
12 Unfortunately, we haven't had the jobs that go with  
13 the housing. We have a lot of out-commuters, so we  
14 are constantly trying to balance this in Riverside  
15 with our housing.

16           It's critical, but we have a good-paying job  
17 and housing imbalance in the city of Riverside and  
18 the greater inland region.

19           In 2036, the jobs-to-housing ratio, for  
20 example, is projected to be, in Orange County,  
21 1 to 2.1, which suggests net in-commuting. But  
22 Riverside County is the highest at 1.96, which  
23 suggests net out-commuting.

24           So more housing and employment creates a  
25 high level of commuters migrating outside our region.

1 So as a city, we are constantly trying to balance  
2 this and bring that in. That doesn't mean we don't  
3 need more housing. But just I'm setting it as a  
4 context for you.

5 So we are keenly aware of the inability of  
6 our region's workers to purchase housing due to the  
7 lack of middle-skilled and high-paying jobs. So  
8 that's something we're working on as well.

9 And since the 1970s, Riverside County's  
10 population has been increasing, and we're the 12th  
11 largest city in the state. But Western Riverside  
12 County alone comprises 67 percent of Riverside  
13 County's population. So we have quite a bit.

14 So that's our context really. And I'm going  
15 to let Edward talk a little bit about what some of  
16 the challenges and opportunities are for various  
17 tools and incentives, such as tax abatement.

18 So I'll let Edward speak.

19 MR. ENRIQUEZ: Thank you, Mary.

20 Chair, Honorable Chair, thank you for  
21 allowing us to be here and speak a little bit on this  
22 topic, and Board Members. Appreciate the  
23 opportunity.

24 So just potential challenges from our  
25 perspective, of course while there's a strong need

1 for affordable housing as Mary indicated, we're doing  
2 what we can.

3 I'm not sure, maybe she'll talk on it, but I  
4 don't want to steal her thunder. We do have a robust  
5 pipeline of affordable housing projects currently  
6 going on.

7 But there are some challenges. I haven't  
8 heard anybody speak yet to the redevelopment areas  
9 that we have. We have a significant amount of  
10 redevelopment project areas.

11 We have debt obligations of 160 million in  
12 those areas. And that in itself leads to potential  
13 problems with property tax abatement. And I'll speak  
14 to that shortly.

15 The 20 percent housing set aside requirement  
16 in the redevelopment was discarded with a dissolution  
17 ten years ago now. Having that 20 percent of  
18 incremental revenue direct toward housing is really a  
19 lot different than some of the things I hear proposed  
20 earlier, having an apartment complex that was  
21 generating revenue become a not-for-profit in that  
22 revenue stream. It may have been pledged as part of  
23 the redevelopment bond issuance. So challenges with  
24 that opportunity.

25 For us, as a mature city, a lot of our

1 current projects are primarily infills. And so we're  
2 more susceptible to the conversion of multifamily  
3 housing projects to affordable housing.

4 I think we find that developers prefer  
5 purchasing existing multifamily residential complexes  
6 because it's easier, and most importantly for them,  
7 it's cheaper. Because the infrastructure investments  
8 already have been made, so they do not have to invest  
9 in that.

10 And it's easy to convert to affordable  
11 housing from a kind of finance perspective. Put in  
12 some context for us, our general fund revenue is  
13 comprised of about 27 percent of property tax  
14 revenue. So it's a big chunk of our revenue.

15 Of the total property tax that comes in, we  
16 get about 14 cents on every dollar. So we're a  
17 little lower on the totem pole. The school districts  
18 get about 45 to 50 percent, county gets 20 percent.

19 When these properties are converted, just as  
20 an example, you have a 100-unit complex that's  
21 converted to affordable housing for low side value of  
22 about thirty-eight million. The city would lose  
23 approximately \$100,000 a year in property tax revenue  
24 over a 30-year period.

25 Put that further into context, if these

1 affordable housing projects were in the city's RDA  
2 areas, losses would be significantly higher.

3 And I think most importantly, too, as we  
4 talk about this, if the projects are targeted in  
5 these RDA areas, revenue losses may delay the  
6 dissolution of the project areas, or decline in  
7 residual revenue available to the former tax  
8 entities, including the school district.

9 So more state funding might be needed to  
10 make these agencies whole. So I think we have to  
11 look at these -- look at a little of our perspective.

12 We have been approached by JPAs, as I heard  
13 talk earlier. We've looked at -- I've had the  
14 analysis done on those projects. And there's some  
15 concerns that we've had, that we've decided not to  
16 move forward on them.

17 Just financial reasons. Didn't make sense  
18 for the city. The numbers were really, you know,  
19 skewed from our perspective, rather than getting into  
20 details.

21 But we have carefully looked at those  
22 several that I've been involved with in the last  
23 year, and just didn't make sense for us. So a lot of  
24 pitfalls that we need to be aware of as we go through  
25 this process.

1           Certainly on board with affordable housing,  
2           and making sure that we can do that for our  
3           constituents. And give people an easier barrier to  
4           homeownership or residential ownership.

5           So with that, I will turn that back over to  
6           the Mayor to continue her discussion.

7           MS. DAWSON: Thanks.

8           Thank you, Edward. I appreciate that.

9           And I'll just wrap up very quickly by  
10          letting you know that creating and providing  
11          affordable housing is a huge priority in our city.  
12          And so we've been doing all sorts of different  
13          things.

14          And we have no shortage of affordable  
15          housing developers who are coming into our city.  
16          They want to meet with me on a daily basis. Because  
17          they can actually get it to pencil out through the  
18          different things that they're doing as well.

19          But, I mean, there are things that we're  
20          looking at within the city. We have -- Edward  
21          mentioned this, but we have 600 affordable units in  
22          the pipeline right now that have been permitted and  
23          are coming online within the next year.

24          But we're also looking at inclusionary  
25          zoning, which we don't have. So that's something

1 that -- that we're looking at.

2 We've also had a very robust accessory  
3 dwelling unit program that we are pushing for in the  
4 city of Riverside.

5 Out of my office, I've held multiple  
6 workshops with the public in ensuring that our  
7 infrastructure and our public utilities is enough to  
8 make sure that we can handle additional ADUs. But  
9 we've just looked at many different tools.

10 So that's all I just wanted to say is we are  
11 eager to see what potential opportunities there are  
12 for tax abatement.

13 But please know, in the city of Riverside,  
14 we've been grappling with the issue for some time,  
15 and have a number of different things --

16 MS. COHEN: Well, tell us, what have you  
17 learned? What wisdom can you share with us?

18 MS. DAWSON: Well, I just -- the fact that  
19 having a developer at the table from the get-go seems  
20 to be the way to go.

21 And as Edward mentioned, if it pencils out,  
22 it pencils out. And that's something we've seen  
23 again and again.

24 However, one of the things we do hear from  
25 the developers is that the complexity of the



1 financing mix they have to do is onerous, unless  
2 you've done it before, or you have a willing partner  
3 that can help manage that.

4 That's, you know, they take anywhere from  
5 five to seven years to get one of these projects off  
6 the ground in the city of Riverside, despite our best  
7 efforts to streamline these things.

8 So it's a struggle for sure. It's a  
9 struggle.

10 MR. ENRIQUEZ: I would just add, on the JPA  
11 side, some of the things we've -- we encountered was,  
12 didn't see that there was no skin in the game on the  
13 other side.

14 You know, we're in it obviously to provide  
15 public benefit and to provide opportunities to our  
16 constituents, but we can't make it lopsided and  
17 exhume all the risk in the process.

18 So that's where we've had a bit of  
19 difficulty when we look at these deals, and don't see  
20 that -- we're assuming all the risk, and we're  
21 reducing our revenue opportunities. But there's not  
22 an equal partnership in that process.

23 Again, we understand that we're in it for  
24 the public benefit, and we're trying to get  
25 affordable housing to the folks that really need it.

1 But there has to be a balance as we approach it.

2 MS. COHEN: Okay. So let's deal -- there's  
3 more.

4 But let's take these folks. We'll deal with  
5 this tranche, and then we'll go with the second  
6 tranche. Okay?

7 MS. DAWSON: And, I'm sorry. Ms. Cohen, can  
8 I just close please --

9 MS. COHEN: Yes.

10 MS. DAWSON: -- by saying, we -- I don't  
11 want to make it sound like we're against the  
12 abatement thing. I just wanted to let you know what  
13 the complexity of the issue is within our community,  
14 and how we are really very happy to be here at the  
15 table and have our concerns considered.

16 So thank you so much.

17 MS. COHEN: You're welcome.

18 And, listen, I wouldn't frame it as doom or  
19 bloom. I mean, this is a conversation we're having  
20 so we can make an informed decision. Not everybody  
21 is going to be on board, not everybody is going to  
22 see eye to eye. And we understand that.

23 That's why you're here. To help us learn,  
24 to help share some wisdom, to share your concerns,  
25 what happens in Riverside County. And what might be

1       successful in Riverside County might not be the same  
2       in Colusa or Alpine, or some of the rural parts of  
3       the state. So I just want to be very careful in  
4       doing our due diligence when we're connecting with  
5       folks.

6                What's interesting to me, particularly with  
7       the both of you, is that you guys represent  
8       municipalities that are growing.

9                And so if you are not dealing with the  
10       housing crisis, you certainly will be looking at one  
11       into the future, if people -- if these migration  
12       patterns still continue to move.

13               So I wanted to see, Mr. Grundy, if you guys  
14       had any opinion or thoughts or maybe wisdom you can  
15       share with us around JPAs.

16               And I -- real quick, and I want to invite,  
17       if Shelly Scott is still on the call, she can chime  
18       in as well.

19               And I think we also heard from Ann Sewill,  
20       who was on.

21               And if you'd like to also jump in,  
22       Ms. Sewill, you're also welcome to be a part of this  
23       conversation.

24               MR. GRUNDY: I'll defer to others, because  
25       the jury is still a bit out for us for JPAs.

1 MS. COHEN: Yes. Okay. All right.

2 Let me see if my colleagues have any  
3 questions.

4 Go ahead, Mr. Vazquez.

5 MR. VAZQUEZ: I was curious, and actually  
6 caught my attention, Ann, when you talked about how  
7 the BOE in the past handles, or pretty much was the  
8 one source that you could just get your tax credits  
9 from. You didn't have to go county by county.

10 When did that stop?

11 MS. SEWILL: My understanding is it stopped  
12 in 2007.

13 MS. COHEN: Oh, awhile ago.

14 MS. SEWILL: I don't know if that was a --  
15 or maybe 2008.

16 I don't know if that was a Great Recession  
17 kind of thing. Not sure why it stopped, but it did  
18 stop.

19 MR. VAZQUEZ: That was my second question.  
20 Do you know why it stopped?

21 So we need to look into that.

22 MS. SEWILL: I imagine it was cost and  
23 evolution of responsibilities to the local  
24 governments. But I don't know for sure.

25 MR. VAZQUEZ: And then, I know you've done

1 several projects. Because I was talking earlier to  
2 Councilman Gil Cedillo where -- I think in his  
3 district he came up with, and I think you were  
4 involved with this, 1,000 units.

5 And of those, I want to say was maybe 20 or  
6 30 percent of them were affordable.

7 MS. SEWILL: Yes. I mean, yes.

8 Councilman in District 1 has been, you know,  
9 one of the most productive in terms of, not only  
10 subsidized affordable housing, but mixed-income  
11 housing driven by the city's land use incentives like  
12 The Transit Oriented Communities Program, which goes  
13 way beyond the density program to give incentives for  
14 people who will do 11 percent of the units at  
15 extremely low income, up to 20 percent at low income.

16 So, yes, he has.

17 MR. VAZQUEZ: Who was the developer on that  
18 project?

19 MS. SEWILL: These are primarily -- those  
20 mixed-income projects are -- we see some affordable  
21 developers using those, particularly the density  
22 bonus incentives. But primarily the mixed-income  
23 ones are for-profit developers.

24 MR. VAZQUEZ: And I know you've done some  
25 pretty creative things in the downtown area to, like,

1 repurpose a lot of the old hotel, and a lot of the  
2 old buildings, historical buildings, that are now  
3 coming online.

4 And I know some of them are turned into, I  
5 guess, ROs or single, maybe, one-bedroom units.

6 What's been the process there, or is there  
7 anything that maybe we, on our end, could do to maybe  
8 expedite it?

9 Because I know there's a lot of beautiful  
10 buildings down there that could be repurposed.

11 MS. SEWILL: Yes.

12 I think it was ten years ago, maybe little  
13 more, the city adopted the adaptive reuse ordinance  
14 for downtown, which has led to the creation of  
15 40,000 units from old office buildings that converted  
16 to residential.

17 Again, primarily market rate, with a little  
18 bit of affordable based on land use incentives,  
19 primarily not using property tax exemptions.

20 But part of the bigger community, which  
21 includes 65 single-room occupancy hotels that had  
22 been working class hotels, you know, in the 1920s,  
23 and now are being used for people who have been  
24 experiencing homelessness or for very low income  
25 working families.

1           And those buildings completely rely on the  
2 exemption as a really important part of their  
3 financial feasibility.

4           MR. VAZQUEZ: Was that Tom Gilmore back in  
5 the day?

6           MS. SEWILL: Some of the adaptive reuse, the  
7 mixed income, yes. Definitely back in the day.

8           MR. VAZQUEZ: But I haven't heard much from  
9 him, so did something happen in terms of the  
10 incentives?

11          MS. SEWILL: Well, I think nothing happened  
12 in terms of the incentives. Although we are redoing  
13 the downtown plan.

14          I think what happened is we saturated the  
15 market with -- in order to meet cost to balance to  
16 make the projects financially feasible, developers  
17 had to get rents of about \$4 a square foot. So if  
18 you built 1,000 square foot unit, you needed \$4,000  
19 in rent. And we saturated the market with those.  
20 And so we sort of had -- 40,000 units is a lot for  
21 downtown. And I think we ran out of economic  
22 opportunity there.

23          MR. VAZQUEZ: Thank you.

24          MS. COHEN: All right. Next we have a  
25 question from Mr. Epolite.

1 MR. EPOLITE: I believe Assessor Scott is  
2 still with us?

3 MS. COHEN: I don't know.

4 Shelly, are you still on the call?  
5 Shelly Scott?

6 MR. EPOLITE: The other speakers can address  
7 this as well regarding JPAs.

8 MS. COHEN: That's okay. Yeah. I think  
9 she's gone.

10 MR. EPOLITE: Was your concern about tax  
11 rate areas on JPAs, that that's what JPAs were  
12 effecting was tax rate areas, as opposed to the  
13 county-wide pool?

14 MR. ENRIQUEZ: Not really that it was an  
15 impact. It was just a couple of projects. But  
16 mostly it was the fees that they were charging. It  
17 was the structure of the deal. It was the AMI  
18 targets they had versus our standards, and try to get  
19 down to them, when they're decreasing regular rents  
20 by only \$100 dollars a month. It doesn't make it  
21 affordable from our perspective, right?

22 So there was a lot of challenges. One of  
23 those is the property tax reduction. We would have  
24 to get the rest of taxing entities on board with  
25 that. And that's a challenge, too, with these JPAs,



1 too, because it's just not us agreeing to it, even  
2 though it's in our city. We have to get the school  
3 district on board, and the county on board to abate  
4 the taxes for these properties and take them off the  
5 tax roll.

6 So it was a handful of things. And it just  
7 wasn't one or two. Because we might have been able  
8 to overcome those. But it was more than that, just  
9 as these deals were structured. And it was same for  
10 the three or four that I talked to.

11 MS. COHEN: Okay. Let me see.

12 Senator Gaines.

13 MR. GAINES: Yeah. Thank you.

14 I had a question for Ann Sewill, if I could.

15 You mentioned two aspects of streamlining  
16 the Welfare Exemption process through the BOE. And  
17 you talked about a recordable covenant. And then if  
18 the project had received that, then you wouldn't have  
19 to pay the taxes.

20 So rather than sending the taxes in and then  
21 having them returned a year or two later, you could  
22 prevent all of that inefficiency.

23 So I'm just wondering, can you expand on  
24 that a little bit?

25 I think those are areas that we ought to be

1 looking at here at our agency.

2 MS. SEWILL: Yeah. I'd be happy to. Thank  
3 you.

4 I think a few years ago there was a piece of  
5 legislation that was referred to earlier this morning  
6 benefiting community land trusts, that allowed them  
7 to buy land, intending to put it in service for  
8 affordable housing at a later date, and start getting  
9 a property tax exemption that would be owed back if  
10 they didn't do so within five years.

11 We don't do that for just regular  
12 nonprofit-owned affordable housing that isn't a land  
13 trust, even if it's serving the same people in the  
14 same rental-housing type model.

15 We've required the rates, honestly, I don't  
16 know if it's statute or rent. So I apologize for  
17 that. But they are required to place the project in  
18 service. So complete the construction, and move  
19 people in before they can claim the property tax  
20 exemption.

21 So if we could move that exemption  
22 eligibility up to when they first start construction,  
23 which is when most projects record their  
24 affordability covenants, or even when they purchase  
25 the land.

1           Often, if they purchase it with assistance  
2 from one of our loan funds, then we record the  
3 covenant then, then that would save them having to  
4 put the money out, and then apply for it to be  
5 refunded later on.

6           Because the regulations do allow them to get  
7 a refund. It's just that they have to pay it  
8 first.

9           MR. GAINES: Okay. That's great.

10          I love that idea, and hope we can talk about  
11 that here, and see if maybe that's an area that we  
12 can work on.

13          Probably take a statute, I imagine, to do  
14 that, a law. But, yeah, thank you.

15          MS. COHEN: All right. Before we just kind  
16 of disperse on our own and go about the day, I want  
17 to just kind of pivot a little bit about and going  
18 back to abatements for new construction.

19          I mean, I'll just leave it as an open-ended  
20 question. You guys are nodding your heads.

21          Tell me why you're nodding your heads, and  
22 if this is something that -- why this would interest  
23 you.

24          Go ahead.

25          MS. DAWSON: Thank you.

1           I -- I think I'm interested in the concept  
2 on, you know, vacant lands, and trying to get it in  
3 there. I think that seems to be something that could  
4 be workable.

5           MS. COHEN: Do you have vacant land?

6           MS. DAWSON: We are getting less and less of  
7 it, right?

8           And as as Edward said, most everything being  
9 done now is on infill, so -- and we're going up,  
10 right? We're doing a lot of TOD.

11          MS. COHEN: Yeah. All right.

12          Matthew, how about you?

13          MR. GRUNDY: Oh, yeah. Total -- in complete  
14 agreement with what was mentioned.

15          MS. COHEN: All right. Thank you.

16          Okay. Well, thank you very much for your  
17 presentation. We're gonna hear from a few other  
18 elected officials.

19          Next, we're gonna hear from the  
20 Honorable Pippin Dew, who's the councilmember of the  
21 city of Vallejo.

22          Is she here today?

23          MS. DAWSON: Thank you.

24          MS. COHEN: You're welcome. Thank you.

25          MR. GAINES: Thank you all. Thanks for

1 making the effort to come up and speak. Really  
2 appreciate it.

3 MS. COHEN: Councilwoman Dew, are you  
4 around? Are you on the call?

5 All right. How about the Honorable  
6 Sue Himmelrich, Mayor of Santa Monica?

7 MS. HIMMELRICH: I am here.

8 MS. COHEN: Wonderful. Let's see you.

9 There you are.

10 Thank you for joining us.

11 And do we have Tara Barauskas? She's the  
12 Executive --

13 MS. HIMMELRICH: I saw her come in.

14 And there she is.

15 MS. COHEN: Okay. Come join us.

16 And then how about, we have representatives  
17 from the city of El Centro and the County of  
18 Imperial. We've got the Honorable Tomas Oliva.

19 Are you also with us online, Tomas?

20 All right. And how about Jesus Eduardo  
21 Escobar?

22 Okay. They'll -- they'll catch up and join  
23 us later.

24 Hello, ladies. It's good to see you on  
25 screen. Thank you for joining us and being a part of

1 this conversation.

2           You've heard the previous conversation, and  
3 you -- you see the direction that we're going in.  
4 The fifth item that we're talking about is Exploring  
5 a Statewide Solution: "What Makes Sense for the State  
6 of California?"

7           You've heard JPAs come up. You've heard  
8 about trust -- trust -- community land trusts.

9           Just want to hear some of your opening  
10 remarks and get your ideas on the record.

11           And, Mayor, we'll start with you.

12           MS. HIMMELRICH: Thank you very much.

13           And I really appreciate the opportunity to  
14 be here today.

15           I am the Mayor of Santa Monica. But my --  
16 in my day job, I'm an attorney at Western Center on  
17 law and policy. And that informs a lot of how I  
18 think about affordable housing.

19           But when we talk about Santa Monica, we're  
20 talking about a very different animal than the other  
21 jurisdictions you've been talking about.

22           First of all, we have a robust rent control  
23 program. We have a community that is committed to  
24 affordable housing, and has been. I think we started  
25 our Inclusionary Program in 1999.

1           And we have the opposite problem of other  
2 jurisdictions that spoke here. We have 90,000 people  
3 who live in our city, and 250,000 population during  
4 the day. So we have no lack of economics here,  
5 right? No lack of financial drivers.

6           But we're only 8.1 square miles. So we  
7 basically are built out. And there is an incredible  
8 competition between, not just market rate and  
9 affordable housing, but also between Airbnb, other  
10 short-term rentals, corporate housing and affordable  
11 housing. And we, as a community, have spent time and  
12 effort to build a full-blown community with great  
13 schools, great services, etc. And -- and these  
14 movements undermine us.

15           So we have built a lot of affordable  
16 housing. Just about as much as LA. And -- and --  
17 and bear in mind we have 90,000 people, and they have  
18 4 million. So -- so that's pretty remarkable to  
19 begin with.

20           MS. COHEN: It is.

21           MS. HIMMELRICH: On top of that, we have --  
22 we have tried to approach it from both ends, both the  
23 creation of affordable housing, and helping people to  
24 stay in their units.

25           So those are the two things that we focus

1 on, preventing people from being evicted, and letting  
2 them stay in their units, particularly because  
3 they're rent control.

4 And so by definition, if you've been in your  
5 unit for 20 years in Santa Monica as a rent-control  
6 unit, it is affordable. So evictions of those  
7 tenants drastically affect the affordability of our  
8 community.

9 Now, all of that being said, I've listened  
10 to everything. By the way, everything that  
11 Mr. Blackwell said, I agreed with.

12 We need to do all of the above. We can't  
13 cut corners. We have to enforce.

14 But I think that -- and he said this, but  
15 I'm going to say it again, we have 6,000 renters in  
16 Santa Monica who are low income, i.e. below  
17 80 percent, and paying more than 50 percent of their  
18 income to rent.

19 And those are the people that we have been  
20 prioritizing, because those are the people who are  
21 the most stressed in our housing market.

22 Now, Tara runs Community Corporation of  
23 Santa Monica, which does most of our TCAC housing.

24 We also have another affordable housing --  
25 we have a few others, but CCSM was created by folks



1 in the city of Santa Monica to do exactly what it's  
2 doing now, which is to create TCAC housing.

3 And I'm sure she can address the abatement  
4 issue. But I can tell you that every bit of help in  
5 terms of affordability that we can get, we will take.

6 So the other thing I wanted to say is when I  
7 first started at Western Center, we had a big problem  
8 with -- not with housing benefits so much, but with  
9 healthcare, food stamps, etc., etc. All of the  
10 various range of benefits that people can get.  
11 And -- and the state has basically established a  
12 one-stop shop for people.

13 And what I wonder is whether the state  
14 couldn't create a one-stop shop for affordable  
15 housing, where an affordable house -- or like Tara  
16 puts in an application, one application, that is then  
17 distributed to the various agencies that she has to  
18 fulfill obligations with, and then they come back  
19 on one -- in one place to respond to her, so she  
20 doesn't have to deal with 15 agencies at one time.

21 I understand when you talk about federal  
22 versus state it's a different issue. But I do  
23 believe that this is achievable in California.

24 I think the reason -- well, I won't go into  
25 that. But I do think the state is quite siloed and

1       isn't very incentivized.

2               MS. COHEN: Well, that's what we're here to  
3 talk about, incentives.

4               So if you have ideas and suggestions, please  
5 don't hold your tongue. Don't hold back. Share them  
6 with us.

7               So, Tara, let's hear from you.

8               MS. BARAUSKAS: Great. Thank you.

9               And thank you for the opportunity to speak.

10              My name is Tara Barauskas. I'm the  
11 Executive Director of Community Corp of Santa Monica.

12              As Mayor Sue mentioned, we are a nonprofit  
13 based in Santa Monica. And we -- our whole mission  
14 is providing affordable housing.

15              We were started 40 years ago. So in that  
16 time, we've created about 1,900 affordable units, and  
17 it's close to 100 buildings.

18              So I have a couple specific things I want to  
19 talk to you about. But I've had some time to get my  
20 thoughts together and definitely have some asks for  
21 you all. So some of them mirror some of the things  
22 that Mayor Sue and Ann Sewill also mentioned.

23              So I guess I'll just start with TCAC  
24 properties. Because there are sort of different  
25 scenarios for each one.

1           On the TCAC properties, it is definitely  
2 great that there is the provision to allow people's  
3 income to grow. So that is really helpful for us.

4           Because a lot of times people qualify, you  
5 know, when they come in, but overtime, they might  
6 improve their circumstances. Which is actually a  
7 good thing. So currently that goes up to 140 percent  
8 of someone's income before they no longer qualify for  
9 the Welfare Exemption.

10           The thing that we would like to explore with  
11 you all is going into some of those higher AMI levels  
12 and getting either a partial or full Welfare  
13 Exemption. And I think maybe Ann mentioned this.  
14 But, you know, we are increasingly seeing a problem.

15           So we develop, like I said, primarily in  
16 Santa Monica, but also the greater west side of  
17 Los Angeles, which is the most expensive part of this  
18 county.

19           And there is a gaping hole in the middle,  
20 the missing-middle housing. It's a real thing, and  
21 it's causing a lot of displacement, in particular of  
22 families who are no longer able to stay in their  
23 community and raise their kids.

24           So -- and there has been a new missing --  
25 not missing middle -- moderate-income housing program

1 that the state created, but, unfortunately, it's  
2 actually not working very well. And part of the  
3 reason is because there is no Welfare Exemption for  
4 the 80 to 120 AMI level.

5 So there are some of us who would be  
6 interested in putting some of these moderate-income  
7 units into some of our projects, because we do see  
8 that need. So that's certainly one thing I wanted to  
9 bring up.

10 And, again, I think that'll be up for  
11 discussion whether that is a full exemption or a  
12 partial. We do understand, of course, the greatest  
13 need is with the extremely low and low income.

14 So -- but definitely the mismatch on the  
15 moderate-income program is something we're concerned  
16 about. Because that program can't really be utilized  
17 as it's currently structured, because of this issue.

18 Next I'll go on to non-TCAC properties. So  
19 we actually, like I said, owned about 100 buildings.  
20 And we actually have quite a bit of rent-controlled  
21 units that are deed restricted.

22 So what the city has done is kind of what  
23 Mayor Sue was referring to --

24 MS. COHEN: Uh-oh.

25 You froze for a second.

1 MS. BARAUSKAS: -- keep people in those  
2 units.

3 MS. COHEN: Go ahead. Finish your sentence.

4 MS. BARAUSKAS: So there's a little bit of a  
5 difference with these properties. And there's 40 or  
6 50 of them that we have alone.

7 So, just so you know, we actually do  
8 105 Welfare Exemption filings every year. So we do a  
9 lot of filings. So that's why we have a lot of good  
10 information to share with you.

11 If a property is not a TCAC property, it has  
12 different rules. So on these rent-controlled  
13 properties, what happens is, if somebody's income  
14 goes up, we lose the exemption at the 80 percent AMI  
15 instead of the 140 percent AMI.

16 And who that ends up hurting is us, because  
17 we -- obviously that means much less cash flow into  
18 property where the rents can't go up, right?

19 And that's a good thing, obviously, for the  
20 resident for the rent not to go up.

21 So we really would like to see some help  
22 with this issue. I don't know how many other  
23 providers are like us, and that maybe they bought  
24 rent-controlled properties. But it obviously serves  
25 an important function in the community, because it

1 can keep people in the neighborhoods they grew up in.

2 We don't displace people. We let them stay.

3 But we -- what we do is we deed-restrict the unit so

4 that we make sure they're permanently affordable.

5 So I'm happy to answer any questions on

6 that. But that was definitely one of the bigger asks

7 that we had. Because that's been an increasingly big

8 problem for us.

9 MS. COHEN: Okay.

10 MS. BARAUSKAS: And then the next -- I guess

11 I'll give you the laundry list, if you want, and then

12 we can go through questions.

13 I want to second what Ann Sewill was saying

14 about starting the ability to get the Welfare

15 Exemption earlier.

16 So if it's possible to get it when we

17 purchase the property, that would be -- [Internet

18 issue] -- is we have to put out of pocket all of this

19 pre-development money, which actually, in Santa

20 Monica, we can get a project going in about maybe two

21 years from the time we buy the property.

22 Which is considered lightning speed in some

23 other areas that I've worked in, just because, you

24 know, sometimes the complexity of funding, it takes

25 three to five years to line up funding. So in the

1 meantime, we're holding these properties, paying  
2 property taxes.

3 And I just wanted to give you, you know, an  
4 order of magnitude, so you understand, like, the  
5 burden.

6 So right now we probably have four or five  
7 properties that are not yet placed in service, but  
8 they're either purchased or they're under  
9 construction.

10 Each one of them, the -- the property taxes  
11 alone are three to \$400,000. So take that by five, I  
12 mean, we're out of pocket a million-and-a-half  
13 dollars. It's extremely burdensome.

14 So I know you all have started talking about  
15 the idea of letting -- just waive the property taxes  
16 so we don't have to play this this game of, okay,  
17 we're going to pay him, and then we're going to get  
18 it back in five years, or whatever. It's really hard  
19 for us. It's a really big problem.

20 So we would love your help in trying to  
21 figure out how do we not have to go out of pocket  
22 that much money upfront.

23 I know the mechanism has been a regulatory  
24 agreement. I think a lot of us definitely use  
25 private loans for purchasing property.

1           And, you know, in the landscape in West LA  
2 in particular, we're competing on the open market.  
3 We have to be aggressive. We have to take down  
4 property quick, and we have to pay market price.

5           So to the extent that, you know, we use  
6 these private lenders, because they're faster to get  
7 these things closed for us. And then we pay interest  
8 carry while we assemble our financing and start  
9 construction.

10          So, you know -- and any way you can help us  
11 to reduce our burden and allow us to get the  
12 exemption as soon as we buy the property, and maybe  
13 the loan agreement, you know, which details all of  
14 the affordability restrictions we'll be putting in  
15 place, could be enough, right? Rather than waiting  
16 for an actual regulatory agreement.

17          So that would be a suggestion I would have.

18          And then the last thing, this is kind of the  
19 easier low-hanging fruit, on first filings, we  
20 typically have a lot of trouble getting through that  
21 process. It's just a very long process. And it's,  
22 you know, I'm just being candid with you, is that  
23 it's slightly opaque, I would say.

24          It's very hard to figure out who to go to  
25 when there's questions. We try to go to the regular



1 people we work with, and there's no clarity. Like  
2 there isn't a guideline document that says, hey,  
3 first filers, here's your contact, this is who you go  
4 to, these are all the steps.

5 We've had to kind of piece it together over  
6 the years. But like some more clarity on that front  
7 end, along with a responsive person that can help  
8 people get through the process faster, that, you  
9 know, would be a great help to us.

10 So that is my full laundry list.

11 MS. COHEN: We -- we welcome it. Thank you  
12 very much.

13 Any questions, colleagues?

14 Okay.

15 MR. VAZQUEZ: Just real quick.

16 Thanks, Tara, and Mayor Sue for coming on.

17 And I just -- I know you've done a pretty  
18 good job, like you mentioned, to fast track, you  
19 know, a lot of the projects in two years. What are  
20 some of your shortcuts that you've been able to do?

21 Is it because the financing -- I know the  
22 city participates quite a bit on the finance end,  
23 whereas, I think some of these other non-profits are  
24 sitting there trying to package it together, or get  
25 these bridge loans.

1 I'm assuming that's what ties them up; is  
2 that correct?

3 MS. BARAUSKAS: Well, it's really both,  
4 Mr. Vazquez.

5 And you know, because you were privy to a  
6 lot of these policies.

7 It's really both. It's the fact that a lot  
8 of our projects are buy-right, both on the land use  
9 side and the funding side. So we basically get staff  
10 level approvals for all our projects, with the rare  
11 exception when it's maybe part of a big mixed-use  
12 project or whatnot.

13 So, yeah, the combination of those two staff  
14 level approvals is what makes it so much faster for  
15 us.

16 MR. VAZQUEZ: And you mentioned that you've  
17 worked with other -- obviously other nonprofits  
18 on housing over the years.

19 Do you remember the day when, I guess, the  
20 BOE pretty much was centralized, where you didn't  
21 have to go to every county, different counties, it  
22 just ran it through the BOE?

23 I just got wind of it earlier, too, from one  
24 of the other speakers. And I'm wondering what your  
25 experience was with that.

1 MS. BARAUSKAS: You know, I personally am  
2 not the one doing the Welfare Exemption filings.

3 So I talked to my person who does the  
4 100 filings a year to ask, and he didn't bring that  
5 up as an issue. So I don't know if it's better or  
6 worse or whatnot.

7 MR. VAZQUEZ: Thank you.

8 MS. COHEN: All right. Thank you.

9 Let me see. Senator, do you have any  
10 questions?

11 Mr. Schaefer?

12 MR. SCHAEFER: Nothing. Thank you.

13 MS. COHEN: Nothing?

14 Mr. Gaines.

15 MR. GAINES: I had a question of  
16 Marc Stivers having to do with the one stop.

17 Because the one stop came up. The Mayor  
18 brought that up. And my question was, can we look at  
19 something like that and -- because I think it makes  
20 perfect sense if you've got a lot of different  
21 entities that you're going to for approval.

22 MR. STIVERS: I'll come back up on the  
23 panel.

24 But, Marc Stivers, the California Housing  
25 Policy.

1           That is my No. 1 goal in life right now is  
2 to have a one-stop shop.

3           No one -- we have four state housing  
4 agencies in California. We wouldn't have set it up  
5 this way, but it is history. It's under different  
6 constitutional officers.

7           So the idea is not to merge all these  
8 agencies. That's probably a political nightmare.  
9 But the idea is to create a committee where all four  
10 state housing agencies sit on them together, and they  
11 jointly award all the various funding sources that  
12 they have.

13           So the way I like to think about it is the  
14 state would pick the projects that they want to fund,  
15 and then figure out what combination of funding are  
16 they going to give that to that project that's  
17 successful.

18           And, you know, if you're at the top of the  
19 list, you probably get your first choice. If you're  
20 at the bottom of the list, you're gonna get your  
21 third choice. But you'll still get funded.

22           And so that -- that is what we're working  
23 on. There has been legislation. There's been a lot  
24 of politics. But I think this coming year, we're  
25 hoped to start anew, and we hope to make progress,

1 both the -- our current Treasurer, the administration  
2 seemed to like this idea.

3 It's been a bandwidth issue, but we we will  
4 continue to work on this. But that is kind of our  
5 Holy Grail in the affordable housing finance right.

6 MR. GAINES: Great. Can you keep us  
7 apprised of that process?

8 MR. STIVERS: I will look for -- for you all  
9 to help support that legislation if we introduce it  
10 next year.

11 MR. GAINES: Great. Thank you.

12 MS. COHEN: Okay. I'd like to bring up the  
13 BOE staff.

14 We've got Mr. David Yeung.

15 MR. YEUNG: Thank you for this opportunity.

16 I just wanted to add just a little bit of  
17 clarity.

18 The Welfare Exemption process before 2002, I  
19 believe was when the legislation was passed. It was  
20 actually a dual-track process, both the county  
21 assessor and the Board took a look at the whole  
22 process in order to grant the Welfare Exemption.

23 When that happened, there was a split. We,  
24 the Board, took a look at the entity itself, the  
25 entity applying for it, and the assessor took the

1 part of looking at the property itself.

2 So the process actually went from a true  
3 dual track, where we looked -- where everybody looked  
4 at everything, to the Board looking at just the  
5 entity -- we'll just use -- I'll pick -- Boy Scouts  
6 of America.

7 We looked at their qualifications, whether  
8 they qualified for this Organizational Clearance  
9 Certificate, where they qualified or not. If they  
10 didn't, we ought -- we went ahead and issued that.

11 The assessors then took the responsibility  
12 of looking at the property. The Boy Scouts of  
13 America may own many, many property. Not all of them  
14 doing the -- the -- their four functions, the four  
15 purpose, the charitable, hospital, religious, or --  
16 or scientific one.

17 So that's how the split happened. It was --  
18 it was a attempt to actually streamline it, so that  
19 we -- both entities did not have to look at the same  
20 thing twice. So we just separated the tracks.

21 MS. COHEN: So -- that's a -- we're  
22 processing.

23 So that is what happened in 2007?

24 MR. YEUNG: No, actually it was the early  
25 2000s. I believe 2002. And I think it became

1 effective somewhere around 2003.

2 MS. COHEN: Okay.

3 MR. YEUNG: So it was right around that  
4 time.

5 We actually -- it actually happened in order  
6 to -- so to -- so that both the Board and the  
7 assessors would not have to do the exact same  
8 function twice.

9 MR. VAZQUEZ: But it sounds like it hurt  
10 a lot of the nonprofits as a result of it.

11 MR. YEUNG: Well, what -- what happened is  
12 now if an entity comes and asks for their -- to  
13 qualify their -- their actual whole -- their entity,  
14 we only do it once. And so that organization then  
15 gets it.

16 And then for every property that they  
17 develop, I'll pick XYZ company comes and says, hey,  
18 look, we want to build affordable housing. We take a  
19 look at their formative documents, they apply, we  
20 think it's okay, we issue an OCC.

21 They may have -- when they go out and they  
22 build a project, they will have to go to the assessor  
23 in which that project is located in that county. And  
24 they want to apply for this project here, one in LA,  
25 if they do one in San Diego, they will have to go and

1 get --

2 MR. VAZQUEZ: But why are we making them do  
3 that if we approved it?

4 MR. YEUNG: We -- we approved the  
5 organization itself. Just that organization, XYZ  
6 company.

7 Your -- your organization fits the  
8 requirements in order to get this, but every project  
9 they develop may actually be a little bit different.

10 So the use of the property is a -- is a  
11 local decision. The assessors are located there.  
12 Their job is to take a look at it, and to make sure  
13 that the use actually qualifies.

14 In that use is also the income requirements  
15 and everything. So they look at that. We look at  
16 whether they're organized, it's a 501(c)(3), if it's  
17 general limited partner, they have the right  
18 agreements. We take a look at that portion of it.

19 MS. COHEN: We have a question on this side.

20 MR. EPOLITE: It's not a question, just a  
21 confirmation.

22 Because once the organization qualifies, the  
23 organization never has to come back again.

24 MR. YEUNG: Correct.

25 MR. EPOLITE: Until it's disqualified.



1 MR. YEUNG: Correct.

2 MR. EPOLITE: But each property on a  
3 one-by-one basis has to qualify.

4 MR. YEUNG: Exactly. Yes.

5 MR. EPOLITE: And that's what the assessor's  
6 for, because the assessor is localized --

7 MR. YEUNG: Right.

8 MR. EPOLITE: -- for the property.

9 MR. YEUNG: Correct.

10 MS. COHEN: Mr. Gaines.

11 MR. GAINES: Yeah.

12 Actually, it makes sense.

13 But I think, you know, maybe we can take a  
14 look at our process in terms of how do we make it  
15 more efficient, so we can turn that around more  
16 quickly, I think would be something we could, like,  
17 take a look at to help the process.

18 MR. YEUNG: Absolutely.

19 We -- we're already in that process right  
20 now. And we've actually developed a checklist to go  
21 through. So we are -- we are making --

22 MR. GAINES: That's great.

23 I love that suggestion by Tara in reference  
24 to -- how does she define it here -- a guideline  
25 document with a name of someone that would kind of

1 guide it through the process. So you were talking to  
2 one individual through that process.

3 MR. YEUNG: Right.

4 MR. GAINES: Yeah. Thank you.

5 MR. YEUNG: Of course.

6 MS. COHEN: All right.

7 Thank you, Mr. Yeung.

8 I want to go back to our online guests.

9 I understand Mr. Gil Cedillo is joining us,  
10 the Honorable Gil Cedillo. Let's let him in.

11 Can you hear us?

12 We got a thumbs up.

13 Hey, Gil. How are you? Good to see you.

14 MR. CEDILLO: Rise and shine, everybody.

15 MS. COHEN: All right. Let's roll up our  
16 sleeves and get to work.

17 Thank you for joining us. We really  
18 appreciate it.

19 Now, we heard earlier from Ann Sewill, who  
20 gave us a phenomenal presentation about what's going  
21 on in the city of Los Angeles.

22 But we wanted to hear directly from you  
23 about what the Board of Equalization could be doing  
24 to explore statewide options to build, to use tax  
25 abatement as a vehicle to stimulate the development

1 of affordable housing.

2 So let -- want to get you on the record.  
3 Wanna hear your perspective. Things that we should  
4 be looking for, things that we should be avoiding.  
5 Just what say you, sir.

6 MR. CEDILLO: So I would echo whatever Ann  
7 said. She is an incredible leader in this field for  
8 many decades.

9 So as I said the other day in a very sharp  
10 legislative term, what she said. That's my response.

11 Let me give you the highest level of an  
12 overview. I think that the challenges of housing and  
13 the housing crisis we have in the state is a  
14 challenge of leadership.

15 I think we're losing on some of the  
16 messaging and branding, as it relates to housing  
17 shortage, and as it relates to homelessness.

18 One, we start with the vilification of  
19 developers in the state. And you know it was much  
20 like what happened to teachers a few years ago, we  
21 have great need to educate our children, and, yet, we  
22 were vilifying teachers.

23 I see that in the broad brush that we, at  
24 least in my recent history, have vilified developers,  
25 yet we need housing. We need builders. We need home

1 builders, and, yet, we vilify them.

2 Two, I think we need to think about how we  
3 utilize the private sector. Government cannot do  
4 this all. Government is not the entity to build  
5 everything, but actually should be working with  
6 the private sector to figure that out.

7 We're coming out of a pandemic, and we have  
8 to be thoughtful, innovative and flexible. We have a  
9 lot of plans and schemes and tax programs and  
10 entities. All those rules, I think in many respects,  
11 need to be relaxed. Because there are circumstances  
12 that we miss.

13 So, for example, I have some -- I have three  
14 examples I'll bring up to you in a minute.

15 But before I get there, public/private  
16 partnerships to me have been very important. And I'm  
17 a big advocate for them, because I think that's what  
18 works.

19 Two, recently, we went through, and  
20 there's -- I have a motion with the city, and we  
21 passed another motion around equity. And we need to  
22 figure out, with respect to the housing crisis, where  
23 we build is as important as what we build.

24 And so we found that in Los Angeles. And I  
25 speak to you as the person who built the most -- most

1 market-rate housing in the city, and the most  
2 affordable housing in the city.

3 So I led the city in the development of  
4 that, you know, tenfold on some of my colleagues in  
5 terms of what we've done.

6 And so in saying that there is a challenge  
7 around zoning, and in many instances only certain  
8 areas are the ones that are getting the projects, and  
9 only certain areas are -- is where the affordability  
10 is built. I think there's a couple ways to get away  
11 from that.

12 One is in the zoning being very explicit.  
13 And we had an incredible presentation of maps that  
14 showed us where the housing was and wasn't. And so  
15 that type of mapping out, and then zoning, and then  
16 giving the incentives and the tax credits so that you  
17 begin to create the equity with respect to that is  
18 critical.

19 The other part of that is the balance that  
20 we use. So, for example, a lot of people think,  
21 well, we've built affordable housing, we have to have  
22 100 percent in a building of affordability.

23 I think that that moves us towards the  
24 process of ghettoizing where affordable housing is.  
25 And we're losing out on other aspects, supermarkets,

1 transit corridors, good quality schools, all the  
2 other elements that create a great community, if  
3 we're only putting the affordable housing in one  
4 area, and we're not going to get the types of  
5 investments, in general, that are needed.

6 And so in my office we have a minimum  
7 standard of 20 percent affordability in all our  
8 development. And as I said, we lead the city in  
9 market-rate development. But those developments, in  
10 many instances -- and now as we leave -- are all  
11 20 percent market rate.

12 And then we look to other formulas, 50/50,  
13 20/80 in the -- in the other direction. But that  
14 type of -- of working with the private sector and  
15 utilizing those formulas, and then having the type  
16 of flexibility from you guys, from the state, from  
17 the county, from the city, from the feds, then making  
18 that money flexible to make these projects  
19 successful, to pencil them out, so that then they can  
20 afford that affordability within their -- their  
21 market-rate projects, I think is part of the way to  
22 go.

23 Clearly, one of the things I saw today,  
24 yesterday, the CEQA abuse that takes place by a whole  
25 range of people, whether it's unions, whether it's

1 affordable housing advocates, whether it's NIMBYs,  
2 whether they're NIMBYs from the left or NIMBYs from  
3 the right, but the CEQA abuse is huge.

4 And I could cite you projects from 2013 when  
5 I was first elected to the city, three parking lots,  
6 80 units, craftsman style, brick building,  
7 beautifully aligned with the northeast Highland Park  
8 community, not built because of the CEQA abuse, and  
9 then the impact on the developer. And that has to be  
10 addressed.

11 There was a recent deal with the others -- I  
12 guess it happens today. If the two bills pass, that  
13 will be a great step forward for us with respect to  
14 CEQA abuse from the union's side. But it's something  
15 that has to be addressed.

16 Let me cite you three examples for us where  
17 we've worked with the private sector. Recently, from  
18 the pandemic, there is -- as I heard you articulate  
19 earlier, the missing middle.

20 And we have to pay attention to that about  
21 the missing middle, workforce housing, people who are  
22 new professionals, law enforcement, public safety  
23 community. We've got to make sure that we have the  
24 adequate supply of housing, so that members who work  
25 in the cities can live in their cities, and live

1 nearby, and be more integrated, be more organic.

2 One of the -- there was a building that was  
3 built near MacArthur Park, Alvarado. A very dense  
4 area. My district has the density of Manhattan.

5 And this building, I call it Ava, it's the  
6 Alvarado View Apartments. And it's -- it's  
7 incredible views. It's those kind of prefab housing.  
8 It was 76 units, brand new.

9 But then the pandemic came. I mean, they  
10 barely put it in the ground, ready to cut ribbon, the  
11 pandemic comes. They go underwater.

12 We were able, working with HUD, to purchase  
13 that. And so as we moved 326 people out of  
14 MacArthur Park with -- without -- without rank or  
15 fanfare, that became one of the options where we were  
16 able to place some people.

17 So we purchased that building. We didn't  
18 buy it, but we purchased it. That was a great  
19 example of us working, taking advantage of what the  
20 private sector constructed, and then being able to  
21 put people there.

22 In Chinatown, we have a development, you may  
23 have heard, it has a little notoriety, Atlas Capital,  
24 it's building 725 units of market-rate housing.

25 Chinatown was dead when I took over in 2013.



1 it needed vitality. I didn't believe that my  
2 district had to be where all the affordable housing  
3 was, and so I signed off on 100 percent market-rate  
4 development.

5 But the developer, being a good corporate  
6 citizen, he agreed to subsidize the affordable  
7 housing across the street. And so there's 123 units  
8 of affordable housing, it's called Met Lofts, for  
9 which he agreed to subsidize the rent increases for  
10 the next 10 years.

11 So rather than fight it around, you know, is  
12 it 10 percent, or 5, or 15, or 20, immediately we  
13 were able to subsidize rent increases and stabilize  
14 affordable housing across the street.

15 Now, unfortunately, there's been bad faith  
16 on the activists against CEQA abuse, blocking the  
17 project, which was the condition of the funding.  
18 But, nevertheless, the developers stood solid, and  
19 that's continued to subsidize that project.

20 And now we're dealing with a new rent  
21 increase. We were developing a project again near  
22 Alvarado, 400 units, 440. The activists came, they  
23 were demanding 100 units, 25 percent. And what we  
24 did is we found a building down the street. It's  
25 called La Posada. It's a building for single

1 parents, new mothers.

2 And we were able to, rather than build on  
3 site and wait for that building to be developed, make  
4 an investment in that other building, ensure housing  
5 immediately, 60 units, single units with new parents,  
6 rehab the entire building. And it was a way for us  
7 to create affordability working with the private  
8 sector.

9 To the extent that all the generosity that  
10 comes from you guys, all the tax credits, all can be  
11 flexible to acknowledge these projects, and not be  
12 stuck in -- in some of the -- the rules and criteria  
13 that we set up, but rather creates a broader sense of  
14 flexibility. So that then your expenditures are  
15 enabling these types of projects, this type of  
16 creativity, and this type of organic development  
17 throughout the city of Los Angeles and state of  
18 California.

19 That would be a real great contribution to  
20 the development of housing and affordability in the  
21 state of California.

22 I submit, humbly.

23 MR. VAZQUEZ: Thank you. Thank you.

24 Councilmember, I know you were first up here  
25 as a senator working on a lot of this adaptive reuse

1 of the historical buildings in the downtown area.

2 And then now, as a councilmember, you've  
3 been on the ground doing the local stuff on -- from  
4 our end of it, in terms of the whether it's an  
5 abatement or tax credits.

6 And -- and we heard -- we heard just earlier  
7 that maybe we need to do a better job of streamlining  
8 the process.

9 And you, having the perspective here from  
10 the state as a senator, and then now at the local  
11 level, what are some of the, I guess, all the  
12 different commissions that we put people through and  
13 approvals that we can maybe consolidate or eliminate  
14 to streamline this process?

15 MR. CEDILLO: You know, we all show a poor  
16 waste of time. You know, the downtown rebound, which  
17 we did from the state of California, we put  
18 75,000 people in Downtown Los Angeles.

19 You know, buildings bought, and everything  
20 that we had -- that we predicted has happened, cafes,  
21 shops, investments, retail. And -- and that even  
22 continues through the pandemic. We are 61, 65  
23 percent returned post-pandemic.

24 The pandemic's been challenging, because the  
25 commercial buildings are vacant. And now with new

1 attitudes about returning to work, concerns about  
2 safety, and a different type of culture and  
3 lifestyle, we have to assess whether or not -- the  
4 commercial-building industry has to assess whether or  
5 not, how long they stay there, or is this another  
6 opportunity for us to create more housing.

7 So I've seen this from the front end 20  
8 years ago with the downtown rebound, and yet I sat  
9 the other night at what was the Cathedral, and I was  
10 reminiscing with a developer there how we said we  
11 will buy this building, create a cafe, house a city  
12 library, build an auditorium, you know, adaptive  
13 reuse, and all those things are happening. Everybody  
14 was at work, people were productive. It was very,  
15 very robust down there at 2nd and Main. I encourage  
16 everybody to visit if you come to LA.

17 And so simply I'm saying, do all that you  
18 can to, one, have flexibility, and help how people  
19 use your resources, and, two, to streamline. Because  
20 when you stall a project, like the project I  
21 mentioned, the one that was 2013 when I first came  
22 in, you saw the project, it can die.

23 And that stalling up in Highland Park  
24 impacted their capital, their capital flow, impacted  
25 other projects they had, and really had an adverse

1 impact, not just on that development, which didn't  
2 happen, but also on two other projects that they had.  
3 One didn't happen, and one had to be modified.

4 And the people in the community were like,  
5 hey, you promised a supermarket, hey, you promised  
6 all this. Well, you know, it's -- it's difficult  
7 when you're waiting for -- for the check to come as  
8 as you plan. And then as, you know, as developers  
9 know, things over time cost more. And you get those  
10 unanticipated costs.

11 We're dealing with supply chain. That is a  
12 thing. That's a real thing. We're dealing with the  
13 availability of a workforce. That's another real  
14 thing.

15 And so the last thing that somebody needs is  
16 a delay in your grant or in your tax credit, because  
17 it delays the project. It can have a greater impact  
18 than simply the passage of time.

19 MS. COHEN: Let me jump in and see if my  
20 other colleagues have questions for you.

21 I'm looking on my left.

22 Mr. Schaefer.

23 MR. SCHAEFER: Councilman, Mike Schaefer.

24 I -- I used to own 100 rental units, low  
25 income in LA. And I got to know the community and

1 its leadership pretty well. And I'm very impressed  
2 with your service in the Assembly, Senate, and in the  
3 Council.

4 I appreciate that you're mentioning how we  
5 beat up on our teachers when we need them. We beat  
6 up on our developers when we need them. We beat up  
7 on our city councilmembers, who we may owe the most  
8 to. You know what I'm talking about.

9 MR. CEDILLO: I do.

10 MR. SCHAEFER: I also want to let you know  
11 that the Mayor of Las Vegas, Carolyn Goodman, and  
12 myself and yourself, we were all born March 25th. We  
13 have that in common.

14 And thank you so much for your presentation  
15 today. I found it very informative.

16 MS. COHEN: Senator Gaines.

17 MR. GAINES: Yes.

18 We had the pleasure serving together in the  
19 Legislature for a few years. And I'm very impressed  
20 with what you're doing in LA on the City Council.

21 Thank you for being so frank on some of  
22 these issues that are very difficult.

23 And what are your thoughts on CEQA?

24 Can -- it sounds like maybe there's some  
25 relief. You mentioned a couple bills moving through

1 the Legislature now.

2 But is there more that needs to be done?

3 MR. CEDILLO: Yes.

4 So, as you know, I wrote the Brownfields  
5 Cleanup. You probably voted for it, it was a  
6 bipartisan bill.

7 But one of the concerns that we -- we  
8 learned at that time, and -- and continue, and  
9 working with Jennifer Hernandez, who was a lead in  
10 the state on this, really thoughtful, super smart, is  
11 the abuse of CEQA.

12 CEQA is a brilliant piece of legislation,  
13 and it's so significant. And now as the whole world  
14 is focused on -- on the climate crisis, it's so  
15 important for us.

16 We've led the way in California. The laws  
17 of California are very robust. But what's wrong --  
18 wrong is for people to abuse it. It's designed to  
19 protect the environment, and it should not be used as  
20 a sword to stop development.

21 And unions do this, NIMBYs do this, people  
22 from the left and from the right. And I think -- so,  
23 for example, I talked about that project in 2013 in  
24 Highland Park, 800 bucks, you go file your claim.  
25 Real simple.

1 MR. GAINES: Yeah.

2 MR. CEDILLO: But then, if you're wrong, who  
3 pays?

4 MR. GAINES: Right.

5 MR. CEDILLO: And so we've got to, you know,  
6 shift this, so that that there's a cost to the person  
7 who's abusing it.

8 And so if you're wrong, and you're simply  
9 using it to be dilatory, to impact the project, to  
10 delay the project, you know, then you should have to  
11 pay.

12 And if you simply use that project -- and I  
13 remember the guy being flipped about it four years  
14 later saying, well, I -- nobody could tell me what  
15 type of low-income housing was being built, so we bid  
16 it. Very flip about it.

17 MR. GAINES: Yeah.

18 MR. CEDILLO: But yet the project didn't  
19 happen, and continues to simply -- now three parking  
20 lots remain three parking lots, and all that  
21 affordability is gone.

22 And so I think that's the type of  
23 responsibility that people should take. And, you  
24 know, losers should pay. If you're using this to  
25 abuse, you should pay. And I think people will be



1 less flip about it.

2 Let's take that sword out of -- of the --  
3 where it is, because people should not be using CEQA  
4 as a sword. It's to protect the environment. It's  
5 to protect us, you know, and protect our environment.  
6 But it should not be a sword to -- to delay or to  
7 stop development. And that's what it's been used  
8 for, and I think it's abusive.

9 And I've seen it many times. These projects  
10 that I mentioned, fortunately, the one around  
11 El Posada, around MacArthur Park, that development  
12 has been blocked.

13 And then comes the pandemic. So here you  
14 go, the -- the small building that we bought the  
15 60 units, got the money, but the development's been  
16 blocked, right? Same type of community group.

17 In Chinatown, the same thing. The community  
18 group comes, oh, we need more affordability. We  
19 negotiate with the developer, he provides the  
20 subsidy, but then they, again, CEQA claim, blocks the  
21 project. Several years pass, everything's fine,  
22 right? It's not a legitimate claim. But they've  
23 delayed the project for five years.

24 MR. GAINES: Yeah.

25 MR. CEDILLO: And so it's just -- and -- and

1       there are thousands of examples throughout the state.

2               And I think the seriousness of our housing  
3 crisis and the challenges that confront us mandate  
4 that we get serious about the abuse of CEQA.

5               MR. GAINES: Absolutely. I agree.

6               And you also mentioned office conversion.

7               Do you think some of that's going to happen  
8 in LA, and throughout the state, for that matter?

9               MR. CEDILLO: I think this -- you know, our  
10 world has changed since we -- we served. We live in  
11 a dynamic time period. Creates opportunities.

12              I saw this on this building that we bought a  
13 few blocks away from the park. It was built for the  
14 missing middle. But, you know, with the crisis with  
15 the pandemic and everything that happened, and then  
16 they were unable to get people into the building, we  
17 took advantage of that. I see that downtown. I meet  
18 with people.

19              Commercial real estate is going to be very  
20 challenged, because, you know, we're Zooming.

21              Look at this meeting, right?

22              MR. GAINES: Right.

23              MR. CEDILLO: We're at a meeting here, we're  
24 Zooming.

25              There's a lot of that going on. My partner,

1 she has a huge important job, but, you know, she  
2 Zooms. My sister Zooms. My sister has a big job.  
3 She does finance for one of the major agencies of the  
4 city. She Zooms, right?

5 And so that commercial real estate, you  
6 know, was gonna be impacted; law firms, accounting  
7 firms, you know, big government entities, a lot of  
8 them are going to be impacted.

9 And so commercial real estate, I think, has  
10 to look at itself as a new hybrid, just as retail had  
11 a few years ago. And so commercial real estate, I  
12 believe in downtown, we may have more people moving  
13 in.

14 MR. GAINES: Right.

15 MR. CEDILLO: Good news is we have the  
16 example of the downtown rebound.

17 I -- after -- as you know, after my wife  
18 passed, I moved into downtown. And I moved into the  
19 Pegasus, the old Chevron headquarters. And it was  
20 adapted. And, you know, I love that mid-century  
21 architecture. So I was really happy to live there  
22 when I did.

23 And so it is an opportunity for us. And I  
24 think it's something that we have to think about when  
25 when we have these abandoned buildings, or when

1 they're underutilized. That this could be something  
2 that we can work towards.

3 MS. COHEN: Councilmember, unfortunately,  
4 we're out of time.

5 MR. GAINES: Thank you so much.

6 MS. COHEN: But, clearly, I sense that you  
7 could go on and on about this topic.

8 We need to bring you back next month to talk  
9 a little bit more about how labor factors into this  
10 conversation about building housing and being a  
11 partner.

12 So I want to thank you for your time and  
13 your contribution to this dialogue.

14 And, folks, we are going to take a 10-minute  
15 break, and we will reconvene at 3:15.

16 Thank you.

17 MR. CEDILLO: I appreciate all of you.

18 Thank you so much for your service, and  
19 thank you for --

20 MS. COHEN: Thank you.

21 MR. VAZQUEZ: Thank you.

22 MR. GAINES: Thank you.

23 (Whereupon a break was taken.)

24 MS. COHEN: Good afternoon.

25 We are going to reconvene. We're going to

1 reconvene, and we're going to start with the city of  
2 Vallejo.

3 Honorable Pippin Dew, where are you? I saw  
4 you earlier.

5 Hello and welcome. Please come on up. You  
6 can have a seat right there.

7 Ladies and gentlemen, this is Pippin Dew,  
8 she's the Councilmember from the city of Vallejo.

9 It's good to see you today. I'm so glad  
10 that you're going to come have this conversation with  
11 us.

12 You had a chance to hear a little bit of the  
13 discussion beforehand. Earlier in the morning we  
14 heard from other elected officials and nonprofit  
15 workers like Fred Blackwell from the San Francisco  
16 Foundation, another woman, Beatrice, who is the  
17 Founder of the Women's Law Center and the New  
18 Economics for Women. She's the CEO of NEWCapital.

19 So, as you can see, we're trying to compile  
20 a very broad perspective of folks that interact and  
21 can help us think through the merits and the demerits  
22 of tax abatement as a tool to incentivize the  
23 development of affordable housing.

24 So, with that, I'll let you take it away.

25 MS. DEW: Awesome.

1           Thank you very much for the opportunity to  
2 be here, Chair and Members of the Board.

3           My name is Pippin Dew. I'm a Councilmember  
4 with the city of Vallejo. I've been a Councilmember  
5 there for eight-and-a-half years.

6           And the city of Vallejo is a city located in  
7 the San Francisco Bay Area, a population of about  
8 127,000 people.

9           And we are also a very old city. So when we  
10 talk about development and the obstacles and  
11 challenges involved in -- in developing anything in  
12 Vallejo, I think probably our biggest challenge at  
13 the moment is infrastructure, and how the -- the  
14 infrastructure is aged.

15           I also want to mention that I'm joined here  
16 today virtually with staff members Christina  
17 Ratcliffe and Michael Nimon from the city of Vallejo.

18           MS. COHEN: All right.

19           MS. DEW: So they are available as well to  
20 to chime in and answer any questions.

21           MS. COHEN: And to your colleagues, you can  
22 feel free to turn on your cameras, and you're welcome  
23 to participate in this discussion.

24           MS. DEW: Yes, thank you.

25           MS. COHEN: Great. Thank you.

1 MS. DEW: Yeah.

2 So, you know, as I was saying, we were --  
3 we're struggling with the infrastructure costs. So  
4 certainly, you know, property tax abatements are a  
5 welcome tool that we would love to use. But I think  
6 there's a variety of needs that we have that  
7 aren't -- that aren't completely overcome by simply  
8 using property tax abatements.

9 And I'll let Christina and Michael, if you  
10 wanted to add anything to this.

11 MS. COHEN: Welcome, Christina.

12 Welcome, Michael.

13 Do you guys have any remarks that you'd like  
14 to share with us?

15 No? Okay.

16 Back to you. Back to you, Councilwoman Dew.

17 MS. DEW: Yeah. Thank you.

18 So we, you know, we recently got our RHNA  
19 allocations, and our increases are, you know, in the  
20 very low category. We increased by 190, in the low  
21 category, by 47, in the moderate category, only by  
22 six. And our biggest change was actually in the  
23 above-moderate category with 1,346 new units.

24 So in terms of what has actually been  
25 constructed over the last eight years, we've only

1       seen single-family detached homes be constructed.  
2       And it's the only thing that seems to -- to pencil  
3       out.

4               We have several projects that we are trying  
5       to move forward that are more attached housing  
6       product types. And they are slow-going. We have one  
7       that's a creative public-private partnership with the  
8       city, and Costco, and PG&E trying to overcome some of  
9       that infrastructure challenges that's interfering  
10      with that site.

11              So I would say that's, you know, kind of  
12      where our need lies in the city of Vallejo. But,  
13      like I said, we welcome any and all tools in the  
14      toolbox to allow us to be able to be more creative,  
15      and, you know, our ability to streamline all of these  
16      processes would be great.

17              MS. COHEN: Okay.

18              Do you guys have any experience, or have you  
19      used tax abatements before? What are your thoughts  
20      on JPAs? I mean, we can --

21              MS. DEW: Yeah.

22              MS. COHEN: Let's go into a little bit more  
23      detail.

24              MS. DEW: I'll -- I'm looking at Christina  
25      to chime in there.



1           You're muted, Christina.

2           MS. COHEN:  You're still muted.  We can't  
3   hear you.

4           MR. VAZQUEZ:  I wonder if she hears us.

5           MS. DEW:  Yeah, she can hear us.

6           MS. COHEN:  She does.

7           MR. VAZQUEZ:  Oh, she can hear us.  Okay.

8           MS. DEW:  Hm.  Well, that's -- I can call  
9   her.

10          MR. SCHAEFER:  You have no control over  
11   that.

12          MR. VAZQUEZ:  Yeah, it's on her.

13          Oh, there you go.

14          MS. DEW:  We can hear you now.

15          MS. RATCLIFFE:  You can hear me now?

16          MS. DEW:  Yep.

17          MS. RATCLIFFE:  Great.

18                 I -- it's so weird.  You're coming out --  
19   you're -- the speaker's coming out in a different  
20   place.  Sorry.

21                 So I don't have any experience with property  
22   tax abatement used as an incentive for housing  
23   development.

24                 I think also that I'm interested in, you  
25   know, looking at it as a possible tool in our

1 toolbox. One of many.

2 I guess I'm concerned about loss of revenue  
3 to the general fund. I'm also concerned about how it  
4 would be constructed. Are we talking about  
5 districts? Are we talking about individual  
6 properties? And what is the criteria for that, and  
7 how long does that last?

8 It's also a long-term project. And I think  
9 creating, implementing and monitoring the program is  
10 going to take a lot of city resources that we don't  
11 necessarily have. So a couple of concerns with that.

12 Now, we are -- we don't have an inclusionary  
13 housing ordinance right now. It is on our task list  
14 for the fall to do that.

15 We will be doing a lot of outreach to both  
16 the community, as well as developers, to find out  
17 what -- what is the issue, what is the block for  
18 development.

19 We do have several. We have about a  
20 thousand units in the pipeline right now that are  
21 mostly multifamily. And it's the first time we've  
22 had that in many years. It's great.

23 But they are, you know, moving a little  
24 slowly. Part of it is on them, part of it is CEQA,  
25 as folks mentioned before. These are all market

1 rate.

2 Those are not -- those -- those thousand  
3 units, the -- we do have 48 units that are -- were --  
4 currently were just approved, and another  
5 100-something that were -- that are in construction  
6 that are 100 percent affordable.

7 But the issue, I think, for Vallejo, and is  
8 for, you know, older cities is infrastructure. We  
9 have aging infrastructure. And we need help getting  
10 that up to speed, and knowing where it is, and how  
11 much we -- and how much it is.

12 Right now a developer with a large  
13 development is coming in and having to do studies for  
14 water studies, for flood and waste and storm water to  
15 find out what -- what is there even in the ground,  
16 and how -- what they need to upgrade to -- to today's  
17 standards to accommodate these -- these -- this  
18 number of units.

19 So I think any help with infrastructure or  
20 just housing grants, you know, will help us get it  
21 built, and will help developers kind of ease through  
22 the process.

23 I think if it has a certain affordability  
24 component, then we have an easier process due to  
25 changes in state law and stuff.

1 Well, actually, even if it doesn't have an  
2 affordability component, it's a -- it's easier, and  
3 you have a more streamlined process.

4 But as I think another speaker said, you  
5 know, CEQA, you know, as a planner for over 30 years,  
6 you know, I love CEQA. A CEQA document in 1970, an  
7 EIR was 20 pages, and now it's volumes.

8 So that is -- that is something that can be  
9 used as a tool to stop housing, or to stop any  
10 development really.

11 So streamlining that.

12 MS. COHEN: Agree.

13 You mentioned that you guys are gonna --  
14 you're dealing with inclusionary housing ordinance.

15 Do you -- I'm a former San Francisco  
16 Supervisor. And when we dealt with ours many years  
17 ago, it was very controversial. And I was wondering  
18 if you anticipate any difficult, long meetings.

19 MS. RATCLIFFE: I always anticipate  
20 difficult, long meetings.

21 I'm sorry. Councilmember Dew, did you want  
22 to take that one?

23 MS. DEW: Yeah, I would say we almost always  
24 have a long, contentious meeting on whatever the  
25 subject might be of the day.

1           So I don't know that inclusionary zoning  
2 will necessarily be as contentious. However, I think  
3 it will have to be looking at it in a more targeted  
4 approach.

5           For example, our downtown is very old, and a  
6 lot of commercial, you know, vacant commercial  
7 buildings. A lot of brick buildings that require  
8 seismic retrofit ADA, all of that kind of thing. And  
9 we have five subsidized housing projects in the  
10 downtown.

11           So the majority of our housing in the  
12 downtown is the very low income housing product type.  
13 And trying to find a way to stimulate more  
14 development in the downtown is a challenge.

15           And -- and I think saying to the community  
16 that we intend to make sure that everything that is  
17 constructed in the downtown has more affordable  
18 housing as a component to it, I think will be a  
19 challenge.

20           And then, you know, looking at some of the  
21 areas that are more affluent, you know, you're going  
22 to get the NIMBYism as well.

23           So trying to figure out how we can move  
24 forward in a way that is balanced and makes sense for  
25 the whole community is -- is, you know, always going

1 to be a tough conversation to have.

2 MS. COHEN: Okay. Well, you know, for this  
3 this conversation, we are not wedded to any specific  
4 model. We are exploring all the models.

5 We are intrigued by the use of property tax  
6 abatements for new construction, and we just simply  
7 want to hear your perspective.

8 We also appreciate the need for -- for  
9 backfill. And that's something that we heard --  
10 we've heard earlier in the previous -- from the  
11 previous speakers on the local level, such as  
12 yourself.

13 And -- but we're still extremely interested  
14 in that missing middle. Which I would imagine the  
15 city of Vallejo is a city that's growing. A lot of  
16 people are leaving Oakland, San Francisco, Richmond,  
17 and going up that 80 corridor.

18 So perhaps you can share some of your  
19 perspective on new construction, and -- and how we  
20 can use utilize tax abatements to stimulate them.

21 MS. DEW: Yeah.

22 So I'm also a realtor. So I do get to see  
23 kind of the movement of individuals from, you know,  
24 San Francisco, San Jose, that area, moving up towards  
25 Solano County and Vallejo in particular.

1           You know, we have the Ferry system, which is  
2 great for commuters, and really advantageous for us  
3 from that position.

4           And, you know, like, from my own personal  
5 perspective, I thought it was really interesting. I  
6 went to the National League of Cities, City Summit in  
7 San Antonio, and got to see how they really  
8 revitalized, you know, like the -- the River Walk's  
9 always been vibrant and thriving.

10           But above that had been very abandoned and  
11 desolate for a very long time, and had absolutely no  
12 residential housing at all. And they did a Housing  
13 First model, where they waived connection fees,  
14 rebated property taxes, and waived permit fees for  
15 10 years. And now they have 10,000 housing units and  
16 two office towers in construction.

17           So I found that very interesting. And I  
18 think that, you know, a very targeted short-term  
19 approach like that could really make a difference in  
20 a community if it was used in that way. So that it's  
21 not just building housing, but really creating a  
22 vibrant community. And it would have to be very  
23 specific and targeted with a very intentional goal in  
24 mind, in my opinion.

25           MR. NIMON: If I may add one thing.

1           You know, so I'm fairly new to Vallejo, but  
2 I'm involved in the number of projects where we're  
3 talking to developers about prospective development  
4 of housing. And what we are hearing from them is  
5 really the upfront cost that's -- that's a, you know,  
6 preventative kind of hurdle for them, that whether  
7 it's market rate or other types of housing they're  
8 considering, it's really that the cost exceeds what  
9 the future revenue is.

10           And that's what they're trying to solve  
11 through the pro forma, to Councilmember Dew's earlier  
12 point about the upfront cost, the infrastructure, old  
13 infrastructure, things like that.

14           It seems like, you know, this is the kind of  
15 problem that require a lot of solutions. And  
16 probably jointly these solutions would work, and  
17 certainly the abatement could be one of it. But it  
18 seems like with the property tax abatement, it's a  
19 slight reduction of operating cost in the back end.

20           So from the developers standpoint, they  
21 really have to make the project work for development.  
22 And when they sell it to end users, or a long-term  
23 operator, that reduces the cost on the margin, which  
24 would help.

25           But -- but, you know, if you put it in



1 perspective of how much would it help loads of some  
2 of these other solutions, it seems like it would  
3 probably be, you know, really a combination of  
4 factors that would make it work.

5 MS. COHEN: Thank you. I definitely  
6 appreciate that perspective. Important.

7 Let me see if my colleagues have any  
8 questions.

9 Anyone on -- any questions?

10 Mr. Vazquez looks like he has a question.

11 MR. VAZQUEZ: Just a quick one.

12 You mentioned -- I know you're involved in  
13 the real estate end of it, too, is there -- it sounds  
14 like you have a little bit more opportunity with open  
15 land in your city, or are you pretty much built out  
16 city as well?

17 MS. DEW: We do have infill opportunities.

18 I don't know that we have -- we have one  
19 last phase of -- there's actually a couple different  
20 housing projects that are on the perimeters that  
21 have, you know, acreage that they're able to build  
22 on. There's actually four projects that come to  
23 mind.

24 But we do have a lot of available, you know,  
25 like smaller lots that are in older parts of town.

1 And so, you know, the water infrastructure, the sewer  
2 infrastructure is very old. And so, for example, I  
3 actually was -- sold several many lots in the city,  
4 but the cost of the land was less than the cost of  
5 the permits to build what was allowed on that land.

6 And so to, you know -- it's for a property  
7 owner to have the desire to develop it, or if they  
8 are unable to develop it, to sell it, it's just --  
9 there's not a lot of incentive for that.

10 And so we're trying to figure out other ways  
11 to make it more attractive to either develop to the  
12 standard of what's allowed on that land, or to, you  
13 know, sell it to somebody that's able to do that  
14 development. But it's definitely a challenge.

15 Like, for example, a single-family home, it  
16 would be over \$50,000 to -- just for the permit  
17 costs.

18 MR. VAZQUEZ: For the permit. Wow.

19 MS. DEW: Yeah.

20 And it would sell -- right. Go ahead.

21 MS. RATCLIFFE: I'm sorry.

22 Yeah, I think that that includes the  
23 development impact fees. I think you're including  
24 that in there.

25 MS. DEW: Right. Yeah. Right. Yes.

1 MR. VAZQUEZ: And you were going to say, but  
2 it would sell for what?

3 MS. DEW: And it would sell for, I mean,  
4 depending on where it is in town, but maybe 500,000.  
5 And that's not taking into account the cost of  
6 construction, the materials, the labor, all of that  
7 as well.

8 MS. COHEN: Okay. Well, we're moving. This  
9 was a much more efficient presentation.

10 Mr. Gaines, do you have anything you'd like  
11 to add?

12 MR. GAINES: Yeah.

13 I was just going to comment that  
14 Member Vazquez thinks that's a deal, because he's  
15 from LA County.

16 MS. DEW: Right. Yes.

17 MR. GAINES: But that's more like my  
18 district.

19 And so I want to thank you,  
20 Councilmember Dew, for driving up and giving the  
21 testimony. We appreciate that.

22 And I did want to focus on Michael, if I  
23 could.

24 MS. COHEN: Please.

25 MR. GAINES: Because he talked about upfront

1 costs. And earlier in the day, we've been talking  
2 about Welfare Exemption process, and trying to speed  
3 that process up, and see if there's an opportunity  
4 where the taxes don't have to be paid upfront before  
5 you get the approval.

6 So my -- I was just wondering if Michael  
7 could comment on that.

8 MR. NIMON: Can you tell me a little more  
9 what the Welfare Exemption is? What taxes are  
10 you -- are you talking about specifically?

11 MR. GAINES: So I'm thinking of -- it'd be  
12 low-income housing projects that would be coming  
13 through the city.

14 The application process for the approval of  
15 the nonprofit requires that the taxes be paid  
16 upfront, and then you have to wait for the approval  
17 process through the BOE.

18 You do it at the county level, and then you  
19 also -- through the assessor, but also through the  
20 Board of Equalization. And we've talked about trying  
21 to streamline that and potentially not require that  
22 money upfront.

23 MR. NIMON: Got it.

24 Yeah. I can tell you that, from the  
25 developer standpoint, definitely the thing that would

1 help the most with making projects stencil is the  
2 reduction of cost.

3 Because even looking at, you know, what the  
4 value the cost of the land is, and you're adding in  
5 your 50,000 in fees, then you have construction cost,  
6 your -- your budget starts exceeding what the value  
7 of the -- the unit is, right?

8 So reduction in cost and finding some  
9 creative ways of doing it would probably make the  
10 biggest difference.

11 And then the deferral of costs that you're  
12 talking about would probably be next. Because if you  
13 can reduce it, you can still delay it. And that  
14 could make a difference.

15 So certainly that's one of the, you know,  
16 the tools that could help.

17 MR. GAINES: Wonderful. Great.

18 Well, thank you. Appreciate it.

19 MS. COHEN: Let's go and see if there's any  
20 public -- any public comment.

21 MS. CICHETTI: AT&T moderator, please let us  
22 know if there's anyone on the line who'd like to make  
23 a public comment regarding this item.

24 AT&T moderator.

25 AT&T MODERATOR: And, ladies and gentlemen,

1 to comment on this item, please press one, zero at  
2 this time.

3 And we have no commenters in queue.

4 MS. COHEN: Thank you.

5 Well, if you -- if you don't have anything  
6 else to present, I want to thank you for your time,  
7 and your perspective, and being a part of this  
8 conversation.

9 This is the third -- this is the second day  
10 of work groups of work that we have done at  
11 convening. The first was held last month in July, at  
12 the end of July, and we have one more next month.  
13 And then, subsequently, we will be producing a report  
14 where we will share our findings.

15 So thank you for being a part of that fact  
16 gather -- gathering of facts.

17 MS. DEW: Yeah. Appreciate the opportunity.  
18 Thank you.

19 MS. COHEN: Thank you.

20 Ms. Cichetti, I think we might be a little  
21 bit ahead of schedule at this point. I don't believe  
22 our next speakers are on the line. Let me double  
23 check and call for them.

24 We've got the Honorable Tomas Oliva, Mayor  
25 of El Centro, and the Honorable Jesus Escobar, who is

1 the Chair of the Board of Supervisors for the County  
2 of Imperial.

3 Are either one of those gentlemen on the  
4 call?

5 No? Okay.

6 I think we are working to get them on.

7 We're going to take another break until we  
8 get our next presenters. All right.

9 MS. CICHETTI: Thank you.

10 MS. COHEN: Thank you.

11 (Whereupon a break was taken.)

12 MS. COHEN: All right. Good afternoon,  
13 ladies and gentlemen.

14 I want to reconvene the California Board of  
15 Equalization's Board Meeting.

16 The Work Group Meeting is still in recess,  
17 but the Board Meeting is open.

18 Ms. Cichetti, could you please call the next  
19 agenda item.

20

21 **ITEM L3a**

22

23 MS. CICHETTI: The item on today's agenda  
24 for the Board Meeting is the L3a, Board Member  
25 Requested Matters; Board Work Group Reports.

1           The Board Work Group and the Co-Chairs will  
2 report on the progress of the Board Work Group, and  
3 they may present to the Board any recommendations in  
4 the minutes if, in fact, they wanted to.

5           MS. COHEN: We actually have nothing to  
6 report back.

7           MS. CICHETTI: That's fine.

8           MS. COHEN: Shall we take public comment?

9           MS. CICHETTI: Yes, we can.

10          AT&T moderator, could you let us know if  
11 there's anyone on the line who'd like to make a  
12 public comment regarding this matter.

13          AT&T MODERATOR: To queue up a public  
14 comment, please press one, zero at this time.

15          We have no commenters queuing up.

16          MS. COHEN: Thank you very much.

17          And seeing that there's no public comment,  
18 I'd like to bring my colleague, Mr. Vazquez, up.

19          He has a few comments that he'd like to  
20 close out the Board of Equalization Board Meeting  
21 with in -- in memory of a phenomenal woman.

22          Mr. Vazquez.

23          MR. VAZQUEZ: Yes. I'm sad to say that a  
24 good friend who started on the Ventura City Council,  
25 and then later got elected to the Ventura as a



1 Supervisor, I'd like to adjourn our meeting in her  
2 honor, Carmen Ramirez, Ventura County.

3 She was the first Latina Supervisor and  
4 long-time activist who died tragically on August 12th  
5 after bearing a hit by a vehicle in a crosswalk in  
6 Downtown Oxnard.

7 An Oxnard resident and attorney,  
8 Supervisor Ramirez served 10 years on the Oxnard City  
9 Council before her successful bid for the Ventura  
10 County Board of Supervisors, District 5, in 2020.

11 She followed up that achievement this year  
12 by becoming the first Latina to be elected by her  
13 fellow Board Members as Chairwoman of the Board.

14 Born Maria Carmen Ramirez, she grew up one  
15 of seven siblings in the Pico Rivera in LA,  
16 Los Angeles County, but went on to build her life in  
17 Ventura County.

18 She was the graduate of Loyola Law School,  
19 who became her career as a legal aid attorney in  
20 Oxnard's La Colonia neighborhood in the late 70s.

21 She served for a time as the President of  
22 the Ventura County Board Association, and was later  
23 elected to the State Bar of California's Board of  
24 Governors, now called the Board of Trustees.

25 She also served as a long-time Board Member

1 for the Center for Civic Education, a nonprofit that  
2 promotes the study and practice of democracy, and was  
3 appointed to the Commission on the state mandates by  
4 the Governor, Jerry Brown, in 2012.

5 She is also recognized for her efforts to  
6 prevent industrialization of the coast, slow climate  
7 change, support disadvantaged communities, and  
8 advocate for the transition from fossil fuels to  
9 renewable energy.

10 Ramirez is survived by her husband,  
11 Roy Prince, and her two stepsons. And she will be  
12 sorely missed.

13 MS. COHEN: Absolutely. I had an  
14 opportunity to get to know her very briefly. And  
15 just an incredible source of inspiration, smart  
16 woman, dedicated to the Ventura County community.

17 She will be missed. So I'm glad to join you  
18 in honoring her memory by closing out the Board of  
19 Equalization's Meeting in her memory.

20 With that said, our meeting is adjourned.

21 Also with that said, I'd like to reconvene  
22 our Work Group Meeting.

23 I understand that we have another dedicated  
24 public servant on the call, the Honorable  
25 Tomas Oliva. He's the Mayor of El Centro.

1           It's good to see you. Thank you for joining  
2 us. Thank you for joining us.

3           And I believe the Honorable Jesus Escobar,  
4 who is the Chair of the Board of Supervisors for the  
5 County of Imperial will be joining us shortly.

6           In the meantime --

7           MR. OLIVA: That's what I expected.

8           MS. COHEN: Thank you.

9           In the meantime, I'd like to welcome you to  
10 our Work Group Meeting.

11           We've been convening all day, and you're one  
12 of our last speakers. And I wanted to make sure that  
13 we get a diverse perspective when it -- when we were  
14 talking about tax abatements and stimulating  
15 middle-income housing.

16           So if you have any opening remarks, I'll  
17 turn over the floor to you. And it's all you.

18           MR. OLIVA: Thank you, Madam Chair and Board  
19 Members.

20           It's a pleasure. It's an honor for the  
21 invitation to deliver a message on behalf of the  
22 community of Imperial County, specifically the city  
23 of El Centro.

24           As you know, Imperial County borders Mexico  
25 and Arizona. It is the southern-eastern portion of

1 California. And the city of El Centro is the largest  
2 incorporated city in that county.

3 We have our largest export being  
4 agriculture, our second largest export being  
5 renewable energy. It's a very ag community.

6 And so having been presented with this idea  
7 of property tax abatement, I will say that our  
8 community has struggled with incentivizing housing  
9 development for many years.

10 Some of the steps that we locally have taken  
11 have been deferring impact fees that developers have  
12 to pay to our special districts, to our school  
13 districts and to the city, to the point where we  
14 issued the certificate of occupancy.

15 And we felt that that was a way in which  
16 developers may be able to save some money, not have  
17 to loan and bond out their impact fees that they paid  
18 to our communities, and yet still some of that  
19 development has not been made realized.

20 I think a lot of developers still feel that  
21 there are some hurdles. And so when we were  
22 presented with this idea, we thought, great, another  
23 tool in the toolbox, right? But it does raise some  
24 questions. And I just wanted to share the  
25 perspective of Imperial County, specifically the city

1 of El Centro.

2 Unlike other larger communities, coastal  
3 communities like San Diego, LA, San Francisco, we  
4 don't see as many tent cities. We do have homeless  
5 individuals in Imperial County, but we don't see the  
6 large collective groups that we would see in a  
7 coastal community.

8 And the only reason why I highlight that is  
9 because housing, for us, not only addresses  
10 homelessness, but it would address economic factors  
11 that have long been needed and sought in our  
12 communities.

13 So I wanted to just kind of differentiate  
14 for a minute the homelessness aspect of it all, and  
15 the type of housing that would help homeless  
16 individuals, such as multifamily housing and  
17 affordable housing.

18 I think that, you know, apartments, condos,  
19 town homes, and affordable housing models would work  
20 really well in being able to rapidly house or  
21 temporarily re-house homeless individuals to get them  
22 off the streets, to give them shelter. And so a  
23 property tax abatement would work very well in those  
24 models.

25 But I do -- I would be remiss if I didn't

1 mention that in Imperial County, we have sectors like  
2 Lithium Valley, that is going to be coming up, right?

3 We have a great need of engineers and a  
4 workforce that will be coming in the next several  
5 years that is going to be looking for housing.

6 We have San Diego State University, Imperial  
7 Valley College, who are going to be huge stakeholders  
8 in developing that workforce in the coming years, and  
9 they have found hurdles in attracting professors to  
10 this region because of a lack of housing.

11 El Centro Regional Medical Center, Pioneers  
12 Memorial Hospital District, InterCare hospital  
13 districts have found it very difficult in recruiting  
14 and attracting physicians and nurses to this region,  
15 which I believe personally attributes to the great  
16 impact of COVID-19 to our community.

17 We were the poster child on a national level  
18 as to the impacts of COVID-19. And so, historically,  
19 we have found it very difficult to recruit physicians  
20 and nurses because of a lack of housing.

21 After meeting with the commander of Naval  
22 Air Facility El Centro, the commander himself will  
23 say that he has found it very difficult to attract,  
24 recruit and retain pilots for our -- our Navy,  
25 because of a lack of housing.

1           And so that housing, and for all of these  
2 economic drivers, aside from homelessness, is very  
3 much necessary. And that coincides with the type of  
4 housing models that we see in attainable housing,  
5 right? Housing with maybe smaller yards, but still  
6 attainable for the middle class, or single-family  
7 detached homes that are of market value.

8           And so I think that this tool of property  
9 tax abatement would very much assist us in all of  
10 those things that I just mentioned.

11           And lastly, Madam Chair and Members, I would  
12 just add that our main concern is that the concept of  
13 the property tax abatement would, in somehow, shape  
14 or form, not leave our local communities whole,  
15 financially.

16           And so I would only ask that this plan make  
17 sure that our special districts our, school  
18 districts, our counties and our cities be made whole  
19 at the same time, as if this program wouldn't exist,  
20 right?

21           And so, with that, I yield back, Madam  
22 Chair, for any questions the Board may have.

23           MS. COHEN: Thank you.

24           Well, when you say you -- you ask that we  
25 make you whole, maybe you can expand a little bit

1 about -- a little bit on that.

2 We've heard a little -- some concerns about  
3 JPAs taking resources from the county. And I don't  
4 want to make assumptions, but I assume that's what  
5 you're referring to.

6 Maybe you can clarify.

7 MR. OLIVA: Absolutely, Madam Chair.

8 So my -- my point in the statement, right in  
9 the tagline, make us whole, would just be to say that  
10 the otherwise property taxes that would be paid by  
11 developers and in their investment, that would then  
12 find themselves into the coffers of the county, the  
13 cities, the school districts, the special districts.  
14 And that if the plan is that the state in some way  
15 shape or form fill in that gap, that they commit to  
16 do so.

17 And that it would be at the same amount, so  
18 that the counties can continue to offer public  
19 safety, library services, right, and all the other  
20 uses of those dollars, the same way that all the  
21 other special districts would use those funds as  
22 well.

23 MS. COHEN: So what I'm hearing you describe  
24 as backfill.

25 MR. OLIVA: Correct, Madam Chair.



1 MS. COHEN: All right. Thank you.

2 Let me turn to my colleagues.

3 We've got Mr. Vazquez here from Los Angeles  
4 that has a few questions.

5 MR. VAZQUEZ: Thank you, Mayor Oliva, for  
6 your presentation and your -- your thoughts on  
7 El Centro.

8 I know you're a little bit out on the  
9 outskirts from, you know, the hustle and bustle of  
10 the bigger cities around you, so I welcome your  
11 thoughts and ideas, especially since you are kind of  
12 in a unique situation, unlike some of the downtown  
13 areas we've heard from, or the more urban areas we've  
14 heard from earlier today, land is probably a little  
15 bit easier in terms of land costs for on the  
16 development side, as we're looking at affordable  
17 housing. So I wanted to get your thoughts on that.

18 But before I move into -- or open it back up  
19 to you, you know, based on my sources, I understand  
20 that you are to be congratulated. I understand you  
21 just received like 15 million, I heard, to build  
22 affordable housing, or low -- I should say low-income  
23 housing, 96 units in this -- I guess they're calling  
24 it the Jacaranda Gardens.

25 And I was wondering if you could share

1 your thoughts and ideas moving forward with that  
2 pretty significant project that's going to be coming  
3 up in your city.

4 MR. OLIVA: Thank you, Board Member Vazquez.

5 I appreciate you highlighting those  
6 accomplishments. I'm very proud that city of  
7 El Centro has not shied away from accepting and  
8 bringing in affordable housing into our communities,  
9 and integrating them in various parts of our city.

10 Because many people need to live, and they  
11 need to live somewhere, right? Whatever home means  
12 to you, we believe that we should be able to provide  
13 that, whether it is an apartment, whether it's a  
14 shelter, whether it's a single-family detached home.  
15 And the city of El Centro has largely championed that  
16 concept here in Imperial County.

17 And so whether it's the Jacaranda Gardens,  
18 or Hirason, there are many affordable housing  
19 projects in partnership with Chelsea Development  
20 Group here in our city.

21 And so, as you mentioned, yes, the cost of  
22 properties here in Imperial County are not as high as  
23 our coastal brothers and sisters, our neighbors, but  
24 also the reality here in Imperial County is that  
25 unlike some of our well-developed communities, we

1 exist in a reality where we have our city boundaries  
2 in one location, and then there are fields, fields,  
3 fields, fields, and then maybe five, ten minutes  
4 later you reach the boundary of our next city.

5 And I think that's the beauty of our  
6 community, that we have not been filled or developed  
7 to capacity.

8 And so we have a lot of opportunity here.  
9 And for whatever reason, the economic factors of it  
10 all as to why some developers may want to still  
11 develop in our coastal communities versus our inland  
12 empire, that's -- that's fine.

13 But we have found it where we are attracting  
14 a lot of residents from our coastal communities  
15 because of high cost of living and housing, right?

16 And so we certainly want to play in that  
17 role. We want to find our place in the overall  
18 economy. I think that we are sustaining the state  
19 very well with our water, our agriculture, and our  
20 renewable energy. But these sectors require a  
21 workforce, labor force, and they need to live  
22 somewhere.

23 And so that is why we're very excited  
24 and open to this program.

25 MR. VAZQUEZ: Yeah.

1 I commend you, and I'm looking forward to  
2 seeing some of your grand ideas.

3 And I'm hoping we can take some of those  
4 examples, especially as you look to build some of  
5 these larger affordable-unit communities to share  
6 them with other folks throughout the state.

7 And anything we can do on our end to help  
8 expedite some of that process.

9 And I don't know if you've gone to that  
10 level, or if you have some experience on that level  
11 that you may want to share with us in terms of what  
12 we, up at the State here on the BOE side, could  
13 possibly do to facilitate that.

14 MR. OLIVA: Certainly, sir.

15 I would love and welcome the opportunity to  
16 do that.

17 I wasn't prepared to go into that depth  
18 today, but I certainly would like to at some point in  
19 the future.

20 MR. VAZQUEZ: Appreciate it.

21 MS. COHEN: Let's see.

22 Mr. Schaefer.

23 MR. SCHAEFER: Tomas, Mike Schaefer here.

24 I met you at one of the parades in  
25 connection with the rodeo. I think it was in 2019.

1           Bob Meadville had me down a couple of times  
2 to visit. I'm very impressed with a large military  
3 facility and groups of airplanes popping in from  
4 Ireland or Germany or wherever. You do get a lot of  
5 attention, and the rodeo was a knockout.

6           And I just want to thank you for coming up  
7 to see us, you know, electronically or personally.  
8 I'm your champion. And anytime I can assist you, I  
9 want you to give me a call.

10           MR. OLIVA: Thank you, Mr. Schaefer. I  
11 really appreciate that.

12           It's good to see you, sir, again.

13           MS. COHEN: All right. Just a quick  
14 question just to assess your city.

15           Do you -- have you -- have you -- have you  
16 guys independently explored using tax abatement to  
17 stimulate development for housing?

18           MR. OLIVA: Individually, no, our city has  
19 not entertained that concept. Because, again, it's  
20 just the fear of the backfill.

21           MS. COHEN: Yeah.

22           MR. OLIVA: And we're not willing to just  
23 kind of give up on that.

24           What I will say, Madam Chair, if I may, is I  
25 think one of the things that our community wishes

1       existed again was redevelopment agencies, and  
2       redevelopment --

3               MS. COHEN: We all -- at least I do.

4               MR. OLIVA: Yeah.

5               MS. COHEN: Tony Vazquez does. You're  
6       singing -- you're singing to the choir here.

7               MR. OLIVA: Yes.

8               And for the record, I just say it to the  
9       general public and whoever else is listening, and  
10       that I wasn't fortunate enough to serve in office  
11       when redevelopment agencies existed. When I was  
12       elected, they were just a memory, right?

13              And so part of our housing issue is the fact  
14       that we have in our downtown a lot of vacant  
15       properties and abandoned properties.

16              But the city itself does not have the tools  
17       to purchase or to force to purchase those types of  
18       properties so that they can be redeveloped.

19              And so that is why I think that a property  
20       tax abatement might be just the, you know, sweetening  
21       of the pot necessary for a developer to come in and  
22       say, I'm going to buy up this abandoned property or  
23       this vacated property, redevelop it, change the floor  
24       plan, and make it usable for a more modern industry  
25       or modern business model, right?

1           Because brick-and-mortar storefront  
2 properties are not seen as much, but shared convening  
3 spaces is what I'm being told from younger  
4 entrepreneurs than I, is what they're looking for.

5           So individually, no, ma'am.

6           MS. COHEN: All right. Thank you.

7           Let me double check the line to see if  
8 Mr. Escobar has joined us.

9           Mr. Escobar, are you on?

10          Okay. It doesn't look like it.

11          Let's go ahead and move to public comment.

12          MS. CICHETTI: AT&T moderator, can you  
13 please let us know if there's anyone online who'd  
14 like to make a public comment regarding this item.

15          AT&T MODERATOR: Thank you, Madam Chair.

16          Ladies and gentlemen, to queue up for  
17 comment, please press one, zero.

18          And we have no commenters queuing up at this  
19 time.

20          MS. COHEN: All right.

21          Thank you, Mr. Mayor. We appreciate your  
22 time and participation in this Work Group convening.

23          We are going to continue moving. I think we  
24 are at the end of our agenda. And want to thank you  
25 again.

1 Goodbye.

2 You're welcome.

3 Okay. Ms. Cichetti, what's next on the  
4 agenda?

5 MS. CICHETTI: I believe we have one other  
6 person that we're waiting to participate, a  
7 Louise Carroll and --

8 MS. COHEN: Oh, that's right. Yes.  
9 Is she here?

10 MS. CICHETTI: I do not believe she's  
11 waiting on our Teams --

12 MS. COHEN: Environment.

13 MS. CICHETTI: -- Environment.  
14 Let's see here.

15 They are not on the line.

16 MS. COHEN: Okay. I think our next speaker  
17 is scheduled to arrive at 4:30.

18 MS. CICHETTI: Okay.

19 MS. COHEN: Is this an in-person? No, it's  
20 online? Okay.

21 Well, we will reconvene at 4:30, ladies  
22 and gentlemen. We're taking another break.

23 MS. CICHETTI: Okay. Thank you.

24 MS. COHEN: Thank you.

25 (Whereupon a break was taken.)



1 MS. COHEN: Good afternoon, ladies and  
2 gentlemen.

3 We want to get back into session. It is  
4 4:26. It's 4:26.

5 I understand that we have a very special  
6 guest.

7 Carroll, Ms. Louise Carroll, are you -- are  
8 you here with us?

9 MS. CARROLL: Yes, I am.

10 MS. COHEN: Thank you very much.

11 Please turn your camera on.

12 MS. CARROLL: Unfortunately, I'm going to do  
13 this by audio. I just got in from Saint Lucia. I  
14 just got off a flight.

15 MS. COHEN: Okay. Not a problem.

16 So I'm going to ask Ms. Cichetti to call and  
17 introduce you, and we will hear from you next.

18 Ms. Cichetti.

19 MS. CARROLL: Thank you so much.

20 MS. CICHETTI: Ms. Louise Carroll is a  
21 partner at Katten Muchin Rosenman, and a former  
22 New York City Housing Preservation and Development  
23 Commissioner.

24 MS. COHEN: Thank you very much.

25 We appreciate you hustling to join us. Your

1 voice and perspective is important. And we are -- we  
2 are eager to receive your -- your words of wisdom.

3 MS. CARROLL: Thank you so much.

4 Thank you for convening this -- this meeting  
5 on an issue that's important throughout the country.

6 And I'm honored to be invited to participate  
7 with you as you consider whether it's appropriate to  
8 have a property tax abatement to incentivize  
9 affordable housing.

10 The affordable housing problem is an  
11 economic one. It is basically an issue of whether  
12 it's cost effective or profitable for the market  
13 to not only build housing, but to rent it to persons  
14 of low income, and still afford the maintenance and  
15 operation of a building.

16 And in high-cost cities like New York and  
17 cities in California, Chicago, Denver, land prices  
18 and the cost of construction make it very difficult  
19 for market players to make construction of housing  
20 that is affordable to middle-income and moderate  
21 and low-income households and persons, and -- and  
22 still make a profit.

23 So what's required is for the government to  
24 step in. And a lot of our government programs,  
25 important ones like LIHTC, and HOME, and CDBG -- use

1 of CDBG money comes with a lot of bureaucracy and a  
2 lot of procedure.

3 And -- and those resources affine it in any  
4 case, but to the extent that we have them, it often  
5 takes a long time to bring developments through the  
6 pipeline in order to meet the increasing need. We're  
7 just not producing them in any city as quickly enough  
8 to support the need.

9 That's the reason why you need more players  
10 in the field, rather than a few. And so while we  
11 want to support not-for-profits being in the space,  
12 we know they're mission-driven.

13 We know -- we trust them to be good  
14 landlords, not-for-profits and MWBEs as well, are not  
15 sufficient to build us out of the problem we have.  
16 We really, really need the market in -- in all our  
17 cities to play a part.

18 And so a property tax abatement that is  
19 calculated to allow a developer to make a profit  
20 after construction and during the operation of a  
21 building, and provide affordable housing with a  
22 process that is very streamlined, that allows them to  
23 build thought construction and -- and get to a  
24 certificate of occupancy in two, maximum three years,  
25 is an important tool to supplement whatever we're

1       doing as government participants with the federal  
2       programs that we have.

3               In New York City, 421a had been that tool.  
4       It had been that tool since the 70s. In the 70s,  
5       New York City was a blighted city. People had  
6       abandoned their land. They'd abandoned buildings.  
7       Taxes were too high. Rents, the economics of the  
8       city didn't support rents. And in order to change  
9       that, the state and city created the 421a tax  
10      exemption.

11             So you're considering an abatement,  
12      abatement works -- and I'm sure everyone here knows  
13      that abatement works in that you owe the taxes, and  
14      then it's reduced. Then the exemption just zeroes  
15      out the taxes completely.

16             In New York, that's what we -- that's what  
17      we did. And it was to spur development. If you  
18      built any residential housing, you got the tax  
19      exemption.

20             And that was hugely successful. It was so  
21      successful that in New York City, we started to  
22      discuss, well, maybe you shouldn't just give it for  
23      market-rate housing, you should give it in exchange  
24      for some affordable housing.

25             And so there came the 80/20 program,

1 20 percent affordable, 80 percent market rates, and  
2 later became 25 up to 30 percent affordable, and the  
3 rent market rate.

4 I would say that that program provided  
5 annually a minimum of 5,000 units of affordable  
6 housing that were entirely market-driven.

7 But it wasn't just the affordable housing  
8 that was produced, it was also the market-rate  
9 housing that was produced as well. The other  
10 80 percent, or 70 percent, or 75 percent.

11 If -- if it's a supply and demand issue,  
12 just putting in the supply helps reduce the pressure,  
13 right, both on the market side and the affordable  
14 housing side.

15 There is a concern sometimes, or debates  
16 sometimes about, well, you know, if you're abating  
17 taxes, or you're exempting taxes, then you're  
18 reducing tax collection. But, in fact, the economic  
19 activity that is generated from sale and resale of  
20 land from mortgage recording taxes, from transfer  
21 taxes is significant. And eventually the abatement  
22 wears off, and you have even -- an even broader tax  
23 base.

24 So, for example, the Real Estate Board of  
25 New York put out a report in 2020 basically shows

1 that real estate related taxes make up 53 percent of  
2 New York -- total New York City revenue.

3 And of that, there was additional revenue  
4 from real estate taxes, was generated by transfer  
5 taxes, which was \$1.4 billion, and mortgage recording  
6 taxes, which was 1 billion. So -- and commercial  
7 rent around \$900 million.

8 Just generating that kind of economic  
9 activity allows cities and -- and states to gain  
10 taxes in other ways, and increasing the tax base. I  
11 really feel that in order to do that and to make it  
12 successful, though, it's got to be a process where  
13 it's streamlined, so that there is very little  
14 bureaucracy. Because, itself, adds cost to  
15 production.

16 And so if the time frame for getting in --  
17 in the ground and -- and getting a certificate of  
18 occupancy, and being able to get the tax exemption in  
19 order to run the property and reduce maintenance and  
20 operating costs, if that time frame starts to be too  
21 long, then it changes the economics, and you're not  
22 able to attract market forces.

23 This is my just basic initial take on how  
24 successful New York City's been with -- with this  
25 program.

1           And at this point, I would -- I would turn  
2           it over to you for questions.

3           MS. COHEN: Thank you very much.

4           So New York is actually an outstanding  
5           example of how tax abatement credit -- how tax  
6           abatements helped build affordable housing.

7           But if I'm not mistaken, I believe the  
8           program that helped build this housing has not been  
9           renewed; is that correct?

10          MS. CARROLL: That's correct.

11          MS. COHEN: Can you describe --

12          MS. CARROLL: Despite our best --

13          MS. COHEN: Pardon me? What?

14          MS. CARROLL: I said despite our best  
15          efforts.

16          MS. COHEN: Despite your best efforts.

17          What are some of the recontributing factors  
18          that prevented it from being renewed?

19          MS. CARROLL: I think it's the unique  
20          politics on the ground in New York City.

21          There are folks who believe that if you  
22          don't give the tax exemption, the money that is saved  
23          from that tax exemption can go directly into building  
24          more affordable housing. And they are mistaken.

25          In the New York City housing preservation

1 and development builds beat finances between 25,000  
2 to 30,000 units of affordable housing a year.

3 In order to do that, it takes a small army  
4 to create this -- to create an additional 5,000 a  
5 year of the housing that's created by 421a in  
6 high-opportunity areas and around the city would  
7 basically eat the entire pipeline budget.

8 Because the housing budget is made of a lot  
9 of federal subsidies, including low-income housing  
10 tax credits, which is used to bring in equity.

11 The -- the tax abatement deals are entirely  
12 market-driven deals. They're a market loan from a  
13 regular lender, as well as developer equity, and the  
14 tax exemption. That's it.

15 And so all of the other sources that go into  
16 subsidized housing would be eaten up if we were to  
17 produce that housing.

18 The other argument that people have is that  
19 there's such a need for low-income housing that it's  
20 a waste to produce middle-income housing with this  
21 tax exemption. So the tax exemption had -- had  
22 changed over years based on what the needs of the  
23 city seemed to be at the time.

24 So there was a time when units produced in  
25 the 421a were at 60 percent of the area median



1 income, and 80 percent of the area median income.

2 In 2016 there was a policy shift to allow  
3 developers to choose options. There was a low-income  
4 option, a mix of a middle and a low-income option,  
5 and a middle-income option. And what developers  
6 chose was the middle-income option.

7 And that angered the advocates on the ground  
8 who advocate mostly for housing at 60 percent and  
9 40 percent, 50 and 30 percent AMI.

10 And so the politics on the ground right  
11 now is very progressive, and people -- basically the  
12 Senate and the Assembly did not feel that they could  
13 support the program as the city agencies, including  
14 myself, and the Deputy Mayor recommended that they  
15 changed the program to change the AMI to suit what  
16 they felt the city needed, with a view that it had to  
17 pencil out, find -- it had to be financially feasible  
18 for anyone to take it up.

19 And the advocate, the Governor had put it in  
20 her budget, she intended to pass it. The politics  
21 being what it is, it got lost in the shuffle.

22 And the advocates also associate the program  
23 with high-end developers, which is again inaccurate.  
24 Most of the users of the program have been small  
25 landlords throughout the five years. However, when

1 they see shiny big buildings that also use the  
2 program, it -- they focus on it as enrichment for big  
3 developers.

4 So there's a lot of misinformation, and a  
5 lot of misunderstanding on the advocate side. But  
6 right now we're in a very progressive swing in the  
7 Senate, you know, and -- and the Assembly in Albany.  
8 And the only way it's going to come back is if the  
9 Governor puts it in her next budget.

10 MS. COHEN: Okay. So the budget that  
11 will -- the budget cycle that will commence next  
12 year?

13 MS. CARROLL: Yeah.

14 MS. COHEN: Considering that we just  
15 probably gone through -- you've gone through the  
16 budget.

17 Okay. Let me see if my colleagues have any  
18 questions for you.

19 I see one. Mr. Vazquez.

20 MR. VAZQUEZ: First of all, thank you,  
21 Ms. Carroll, for your presentation. It was real  
22 helpful to at least hear your experience, even  
23 though, I guess, it may not continue, because of the  
24 funding.

25 I was just curious on that -- I guess it's

1 the 421a tax exemption?

2 MS. CARROLL: Yes.

3 MR. VAZQUEZ: Does that exempt -- did that  
4 exempt both low-income and middle-income housing  
5 units from property taxes for the same time and  
6 length?

7 MS. CARROLL: That's correct.

8 MR. VAZQUEZ: It did?

9 MS. CARROLL: That -- that's correct.

10 In fact, it exempted the entire development,  
11 as long as it met the criteria for either producing  
12 low-income housing, if that was the choice, or  
13 middle-income housing, if that was the choice of the  
14 developer.

15 MR. VAZQUEZ: Did that cover the land as  
16 well as the building, or both?

17 MS. CARROLL: That's correct.

18 So the way the abate -- the exemption worked  
19 is that it exempted the property from the increased  
20 value of the property from taxes.

21 So the base tax on -- on the land, right?

22 So whatever taxes was -- that was on vacant land, the  
23 improvements would be exempted from taxes.

24 The way New York City taxes is the tax  
25 assessment every year, and it's based on the assessed

1 value or improved value of property.

2 So basically the -- the value of property  
3 was frozen at -- at the level of vacant land for  
4 it -- for the number of years of the term of the tax  
5 exemption.

6 MR. VAZQUEZ: Thank you.

7 MS. COHEN: So, colleagues, I don't think --  
8 I don't know if you realize this, but Ms. Carroll  
9 is recognized nationally for leading the development  
10 of 300,000 units of housing, which is lauded as the  
11 largest amount of housing delivered at one time, and  
12 for the -- in the country.

13 MS. CARROLL: Can I just make a little  
14 correction?

15 MS. COHEN: Yes.

16 MS. CARROLL: So the Mayor -- the Mayor  
17 campaigned on 200,000 units by 2026. And because we  
18 were so far ahead, he changed to 300,000 units by  
19 2026.

20 And we pledged we would have 200,000 by  
21 the time he left office. So we did exceed 200,000,  
22 but we haven't reached -- under my tenure, we hadn't  
23 reached 300,000.

24 MS. COHEN: Thank you for the correction.

25 Can you share with us, what was the greatest

1 driver for your success?

2 MS. CARROLL: I think what the Mayor did was  
3 put money behind the pledge to produce housing.

4 MS. COHEN: And are we talking about  
5 Mayor de Blasio, by the way?

6 MS. CARROLL: Yes.

7 MS. COHEN: Okay.

8 MS. CARROLL: Mayor de Blasio. Thank you.  
9 Sorry.

10 So the Mayor had a 1.2, 1.4 annual --  
11 1.2, 1.4 billion annual capital budget for affordable  
12 housing. So that -- that, and having as of right tax  
13 exemption program together, was really the driver of  
14 success.

15 So in order to produce affordable housing,  
16 cities have to put money behind it. It can't be just  
17 federal programs.

18 And with that 1.2, 1.4 billion dollars that  
19 was put in the budget, the city basically subsidized  
20 the production as a gap seller by giving loans,  
21 low-cost loans, one percent loans, in addition to  
22 LIHTC, in addition to 420c tax exemption, or 421a tax  
23 exemption, or we have something called an Article XI  
24 tax exemption, which is something that the city can  
25 recommend to the council, and the city council can

1 approve.

2 So the driver of success is having many  
3 tools in the toolbox, but also having market players,  
4 really market -- not necessarily not-for-profits only  
5 or MWBE only, but having a large tent of people who  
6 find being in the business of affordable housing  
7 profitable, that will bring private land and will  
8 participate in the production.

9 I think that has been the biggest success is  
10 having market participants, as well as  
11 not-for-profits, and MWBE, do this work.

12 MS. COHEN: All right. Thank you.

13 Colleagues, do we have any other questions?

14 All right. Ms. Carroll, looks like we have  
15 no other questions.

16 Thank you for your time, and appreciate you  
17 making time to talk with us.

18 Before you leave, maybe you can answer this  
19 one last question.

20 What recommendations would you suggest that  
21 California consider in exploring the use of property  
22 tax abatements to incentivize housing?

23 MS. CARROLL: I think that the way the  
24 Welfare Exemption is structured, that one might  
25 consider that in order for the tax abatement. That

1 attracts more than not-for-profits, but market  
2 participants, that it might need to be changed a  
3 little bit.

4 That the process for receiving the exemption  
5 should be streamlined, that one should avoid  
6 duplication of requests for documents. That the  
7 exemption be sized to consider the different markets  
8 that housing would be produced in, and how -- how big  
9 an exemption is needed in order to make sure that  
10 maintenance and operation -- that it makes financial  
11 sense.

12 So sizing it to make financial sense is  
13 very important. How much affordable housing you're  
14 asking as part of a development, how big the  
15 abatement is in order to cover the cost of that  
16 housing, as well as making the process very, very  
17 streamlined.

18 So matching the request with what is the  
19 eligibility requirements with what is absolutely  
20 necessary, and not structuring it in any way like a  
21 subsidy program, whether federal funds or other  
22 subsidies. I think that's just critical. Otherwise,  
23 it doesn't work, and it doesn't produce the housing  
24 at the pace you need.

25 MS. COHEN: All right. That's excellent.

1 Thank you.

2 All right. That's all we have. Again,  
3 thank you for your time this evening.

4 Oh, I'm sorry. We do have one last question  
5 for you.

6 Yes. Senator Gaines.

7 MR. GAINES: Yeah.

8 Thank you so much. I really appreciate,  
9 Ms. Carroll, your comments.

10 And I'm just trying to get a handle, because  
11 you mentioned, was it 300,000 units that were  
12 produced?

13 MS. COHEN: Yes.

14 MS. CARROLL: There were over 200,000.

15 MR. GAINES: Over 2. Okay.

16 MS. CARROLL: Yeah. Even in COVID, we  
17 produced -- I think in 2020, 29,000 units; in 2021,  
18 it was 28,000 units. I mean, a year, basically, to  
19 get to that number.

20 And to get to that number, you need a lot of  
21 tools. It can't just be the federal program.

22 MR. GAINES: Yes.

23 Now, do you know how many -- do you know how  
24 many affordable units were -- were provided by  
25 for-profit entities versus nonprofit?



1 I'm just curious. Because you talked about  
2 volume, and how important it is to get the numbers  
3 up.

4 MS. CARROLL: I would -- I would say -- I  
5 don't know the numbers. But I would say there are a  
6 lot of joint ventures between not-for-profits and  
7 for-profits. There are many for-profit developers  
8 who find it attractive to participate. And I would  
9 say it's probably about 50/50.

10 MR. GAINES: Okay. So a lot of those profit  
11 entities are doing a joint venture with a nonprofit.

12 MS. CARROLL: They are joining venturing in  
13 with a not-for-profit where it is advantageous to get  
14 community support.

15 MR. GAINES: Yes.

16 MS. CARROLL: Sometimes they're partnering  
17 with for-profit because their services to be provided  
18 with -- with tenants, sometimes they're doing it for  
19 mortgage-recording tax exemptions.

20 There are many reasons why they're  
21 partnering with not-for-profits, but a lot of times  
22 there's -- there, for example, L&M and Gotham, and,  
23 you know, BFC, BRP. There are many, many for-profit  
24 developers who have been producing affordable housing  
25 now for three decades.

1           And that's what they do. And they've become  
2 very well-known. And they produce affordable housing  
3 throughout the country now, after having a start in  
4 New York City as small companies. And they do very  
5 good work, and they're very reliable.

6           And so just having people with different  
7 capacity that could produce different types of  
8 housing.

9           We did a groundbreaking with a for-profit on  
10 a -- on a development that had a hip-hop museum. It  
11 had a STEM outfit, it had a early childhood education  
12 school, gardens. It's, you know, affordable housing  
13 can be produced by many different people with very  
14 varying levels of capacity.

15           Cities have to have the tools that brings in  
16 the best and the brightest, including  
17 not-for-profits.

18           MR. GAINES: Wonderful.

19           Thank you, Ms. Carroll. I appreciate it.

20           Very helpful.

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

22           Have a good evening.

23           Ms. Cichetti, please call --

24           MS. CARROLL: Thank you.

25           MS. COHEN: Please call the next item.

1 MS. CICHETTI: We are -- we have no more  
2 items left on the agenda for today.

3 MS. COHEN: All right. Fantastic.

4 I'll offer some brief closing remarks, and  
5 then we will convene.

6 So as you can see, I'm sure your head is  
7 spinning like mine is, there's been a lot of  
8 information. A very, very informative day today.

9 A huge thank you to all of our presenters,  
10 and to the staff members that helped make -- produce  
11 this Work Group.

12 I'd like to extend my appreciation to the --  
13 to both teams CDTFA and the BOE team, and of course  
14 all the BOE Board Member staff who supported us  
15 during these these last two-day Board Meetings.

16 I also would like to acknowledge our partner  
17 in this, the Bay Area Council, who's been working  
18 with my office and my staff to help us think about  
19 this in a very broad and thoughtful manner.

20 I also would like to put into the record  
21 that we will be holding our next and final Work Group  
22 Meeting September 28th.

23 And with that, I will close.

24 Mr. Vazquez, do you have something to say?

25 MR. VAZQUEZ: Just to echo what you said,

1       you know, once again, thanking the speakers.

2                   And you're right, I mean, there was so much  
3       good information. And I know many of them had to  
4       spend hours to prepare for today.

5                   So I just wanted to make a little shout out  
6       to all the speakers, as well as staff, like you  
7       mentioned, your staff and several of the other BOE  
8       staff, for their participation, and just put -- just  
9       the logistics of putting all this thing together and  
10      coordinating it. I just want to chime in and thank  
11      everybody.

12                   MS. COHEN: Thank you.

13                   Yes, please.

14                   MR. SCHAEFER: I am astounded at the  
15      quality and number of executives we've heard from  
16      today. It would take us six months and weeks of  
17      traveling to otherwise duplicate that.

18                   I was sorry New York with -- the lady with  
19      all of her assets, we couldn't get a picture.  
20      Because I'd really like to have seen what such a  
21      talented person looks like.

22                   But thank you for assembling all this. I  
23      think it makes us visible as a government agency, and  
24      that's important.

25                   MR. GAINES: Yeah. If I could.

1           I just want to thank you, Malia, and Tony.  
2    I think you did a great job. It was a great agenda,  
3    very thorough. And I think we all learned quite a  
4    bit. So thanks so much.

5           And thanks for all the participants, all the  
6    time they put into it.

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

8           Ladies and gentlemen, we are adjourned.

9           (Whereupon the Board Work Group  
10   Meeting concluded.)

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