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BEFORE THE CALIFORNIA STATE BOARD OF EQUALIZATION  
450 N STREET  
SACRAMENTO, CALIFORNIA  
STATE BOARD OF EQUALIZATION

SEPTEMBER 28TH, 2022  
PROPERTY TAX ABATEMENT  
BOARD WORK GROUP MEETING

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

Richard Moon  
Tax Counsel  
CA State Board of Equalization

Speakers for the  
State Government  
Perspective:

Honorable Tony Thurmond  
CA Superintendent of Public  
Instruction

Brian Uhler  
Deputy Legislative Analyst  
CA Legislative Analyst's  
Office

Speakers for the  
Private Sector  
Perspective:

Honorable Michael Roos  
Former Speaker Pro Tempore  
CA State Assembly

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APPEARANCES CONTINUED

Eric McKean  
Managing Director  
Ramirez & Co.

Speakers for the  
Education Community  
Perspective: Cheryl Ide  
Legislative Advocate  
CA School Boards Association

Katie Hardeman  
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CA Teachers Association

Megan Baier  
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Speakers for the  
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Perspective: Mark Neuberger  
Legislative Advocate  
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CA State Association of  
Counties

Speakers for the  
City and County  
Government  
Perspective: Nicolas Romo  
Legislative Affairs  
Lobbyist  
Revenue & Taxation  
League of California Cities

Speakers for the  
Labor Perspective: Jeremy Smith  
Deputy Legislative Director  
State Building & Construction  
Trade Council

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APPEARANCES CONTINUED

Speakers:

Eric Garcetti  
Mayor  
Los Angeles

Azeen Khanmalek  
Director  
Affordable Housing Production  
Los Angeles

Leslie Morgan  
President  
CA Assessors' Association

Louise Carroll  
Partner  
Katten Muchin Rosenman &  
Former New York City Housing  
Preservation and Development  
Commissioner

Michael Lane  
State Policy Director  
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1 STATE BOARD OF EQUALIZATION  
2 450 N STREET, SACRAMENTO  
3 SEPTEMBER 28, 2022

4 ---oOo---

5 MS. COHEN: Good morning, everyone.

6 Good morning to you. I'm excited to be  
7 here. So excited, I lost track of time. So I  
8 apologize. But we are going to get started now.

9 It is 10:25, September 28th, a.m.

10 Good morning. We're ready to call the  
11 Tax Abatement Board Work Group to order and reconvene  
12 the State Board of Equalization Meeting.

13 Good morning.

14 Ms. Cichetti, do you have any announcements  
15 today?

16 MS. CICHETTI: No announcements today.

17 MS. COHEN: No announcements.

18 Okay. All right.

19 MS. CICHETTI: Board Work Group.

20 MS. COHEN: Okay. All right. Well, could  
21 you call the item.

22 MS. CICHETTI: The first item on the agenda  
23 is the property tax --

24 MS. COHEN: Work Group.

25 MS. CICHETTI: Yes. I'm sorry.

1           The Work Group.

2           The Greetings and Introductory Remarks is  
3 the first item on the agenda.

4           MS. COHEN: All right. That's great. I  
5 love it that you're so excited that you lost your words.

6           MS. CICHETTI: I did. I just --

7           MS. COHEN: Here we are. We're in our third  
8 conversation around property tax abatement.

9           I want to thank my staff that has really  
10 done the herculean task in pulling all of this together.

11           Thank you very much to the BOE staff of  
12 District 2.

13           So -- and on behalf of my esteemed  
14 colleagues, I want to thank everyone for joining us  
15 today.

16           This is the third Board of Equalization  
17 Property Tax Work Group Meeting.

18           Over the last two meetings of the Work  
19 Group, we've received testimony from distinguished  
20 leaders, both on the State and local government  
21 representatives, from academic, as well as public policy  
22 research groups, ThinkTanks.

23           We've seen leaders in the struggle to  
24 redress historic wrongs that have harmed communities of  
25 color through racist tactics like redlining and

1 exclusion from capital and from developers, both in the  
2 non-profit and the for-profit space, who have extensive  
3 experience in building housing here in the state.

4 We've also heard from leaders in our state  
5 and jurisdictions who have implemented property tax  
6 abatement programs to grow the numbers of affordable  
7 housing units.

8 And, again, we are paying particular  
9 consideration to the missing middle. And, by  
10 definition, by "missing middle," I'm just using a loose  
11 definition of school teachers, First Responders, service  
12 workers, manufacturing workers.

13 But one thing that we all have in common is  
14 a goal of building more housing that's affordable and  
15 accessible to the middle class.

16 I want to note that stakeholders in  
17 California recognize the urgent need to produce  
18 2.5 million new housing units in California by 2030, and  
19 with the goal of at least one million of these units  
20 being affordable.

21 And during the meeting, we have learned just  
22 how difficult it's going to be just to gain consensus.  
23 And that's exactly what we're going to need in order to  
24 produce the two-and-a-half million -- million housing  
25 units.



1           So just to take a moment to step back and  
2 just review where we've been. We began this inquiry  
3 focusing on the possibility of using property tax  
4 abatements with backfills to ensure that no revenue was  
5 lost to our schools and to local governments.

6           We have received presentations from many  
7 distinguished stakeholders. We are grateful for the  
8 presentations that we are going to hear today, and we  
9 look forward for more informative present -- more  
10 informative presentations that we're going to hear from  
11 today.

12           So I want to go very clearly on the record  
13 and state that this is an inquiry. No policy decisions  
14 will be made. No votes will be taken. We are merely  
15 having a discussion.

16           And this -- this is a discussion that is  
17 unfolding without preconceived notions, or a  
18 preconceived agenda, or any kind of anticipated  
19 conclusions.

20           Really, we are curious to hear about -- to  
21 hear whether or not property tax abatement can be used  
22 to incentivize housing.

23           In particular, we're extremely interested in  
24 whether property abatements can be used -- could be used  
25 as a -- as a tool to help projects pencil out.

1           Now that's a popular vernacular term that  
2 basically means that we want to invest money. And it'd  
3 be a good, solid investment of not only our tangible  
4 resources, but intangible resources, our human capital.

5           So I wanted to just also highlight that as a  
6 result of these hearings that we are conducting, we will  
7 prepare a report on what we have learned that will  
8 summarize our conclusions from the testimony that has  
9 been taken. This report will include public policy  
10 perspectives and recommendations for going forward.

11           And I also want to state that we are  
12 assuming the responsibility that has been given to us as  
13 administrators of an \$85 billion property tax system to  
14 study all the possible ways, and the -- that the  
15 property tax system can be leveraged to address unmet  
16 housing need.

17           And an important and an essential part of  
18 this process is to conduct inquiry into -- in the open  
19 that's fully transparent and public.

20           And, of course, we will make sure that our  
21 stakeholders have a seat at the table as we continue to  
22 address these complex public policy discussions.

23           So, with that, that is the percent --  
24 perspective that we continue to hear from, hear from our  
25 experts today.

1 I am excited by the quality and the depth of  
2 the presentations that we have heard, and that we will  
3 hear. It's my hope that the report will stimulate,  
4 continue to stimulate debate.

5 And with that perspective, I like to turn  
6 over to my right to my colleague, Mr. Antonio Vazquez.

7 And then following Mr. Vazquez, we'll hear  
8 from the Executive Director, Ms. Yvette Stowers, for  
9 opening comments, before we hear our first presenter.

10 And want to acknowledge Mr. Vazquez.

11 And I think also Mr. Gaines has some opening  
12 comments as well.

13 MR. GAINES: Great. Thank you.

14 MS. COHEN: Okay. So, Vazquez, you, and  
15 then Stowers.

16 MR. GAINES: Wonderful. Okay.

17 MR. VAZQUEZ: Thank you.

18 Thank you, Madam Chair.

19 Good morning, everyone.

20 And to each speaker who will be joining us  
21 today either in person or remotely, I want to thank you  
22 for sharing your expertise as we explore various  
23 property tax options for incentivizing the development  
24 of affordable housing in our state.

25 Thank you for taking the time from your busy

1 schedule to provide you -- to provide us with your very  
2 valuable input with the Board and with view -- and with  
3 the viewing public.

4 Your testimony today is critical in helping  
5 us to understand how the property tax exemption and  
6 possible abatements can be most effectively used and  
7 streamlined.

8 As the -- our Chair mentioned earlier today,  
9 you know, the history, especially here in the state of  
10 California, while we've had, you know, programs over the  
11 years, especially in the early years, as we became a  
12 state with FA, for example --

13 MS. CICHETTI: Mr. Vazquez, can I interrupt.

14 We -- at this point right now, looks like  
15 we're having some technical difficulties. We're trying  
16 to solve them. So I -- I would like it so that you're  
17 online.

18 So if you don't mind holding on for one  
19 quick second. It looks like we're rebooting.

20 All right. It looks like we're back up.

21 I apologize for interrupting. It was an  
22 issue with the Teams, we believe.

23 So we're back up again.

24 Thank you.

25 MR. VAZQUEZ: Once again, good morning.

1 I don't know how much people heard before  
2 but --

3 MS. CICHETTI: Yeah.

4 MR. VAZQUEZ: I'll just briefly just welcome  
5 everybody again.

6 And like I said earlier real quickly, I just  
7 want to thank all the speakers that will be joining us  
8 today, either remotely or in person, for sharing your  
9 expertise and experience with us today.

10 Because this is a very challenging topic  
11 that we're going to take on today, that actually this  
12 hearing is one of many that we've had already.

13 And as we're listening to folks, we're  
14 getting different groups throughout the state, interest  
15 groups that are obviously very concerned. Because this  
16 could have some financial impact on their stability,  
17 whether it's a city, a county, or a state agency, for  
18 example, in our school system. Which we'll hear from  
19 folks in a little bit this morning.

20 But I guess one of the key things as we  
21 discuss this as we're looking and working with possible  
22 incentives, both on the -- on the abatement side, as  
23 well as possible tax credits, is to see what makes sense  
24 to hopefully expedite and streamline the process.

25 Because the nonprofit world, by itself, is

1 not going to be able to meet the demand. The demand is  
2 just so high. And I think until we get the for-profit  
3 world involved, it's not going to happen to the -- the  
4 amount of housing that we need in the state of  
5 California.

6           And I know many of my colleagues have shared  
7 this. And I -- we don't want to obviously give away the  
8 store with tax credits. Because obviously that has a  
9 ripple effect on the other side. But for those that are  
10 willing to do true affordable housing, I think we can  
11 come up, hopefully, with some creative ways to make that  
12 happen, whether it's a tax credit or just streamlining  
13 the process.

14           And like our -- my Chair mentioned earlier  
15 today, you know, there's been many programs over the  
16 years, like FHA programs, that have -- were set up  
17 specifically to help people of color. But as we see  
18 today, you know, even if we look now as of 2019, Black  
19 families, only 41 percent own their homes. And Latinos  
20 are not much better. They're like 49.

21           And we -- we hope with our incentives that  
22 we hopefully will create here soon, or at least put out  
23 there, could make a dent in that as well. Because it's  
24 not only about creating affordable housing, but  
25 ownership, I think, is also a key piece in terms of

1 creating economic wealth for our folks of color in the  
2 state of California.

3 And with that, let me turn it back to my  
4 Chair, and we'll continue this hearing.

5 MS. COHEN: Okay.

6 All right. I've just been notified that the  
7 California Superintendent of Public Instruction is on.

8 And we will -- just -- just give us one --  
9 one moment, Mr. Thurmond. We've got to hear from  
10 Mr. Gaines, my colleague.

11 MR. GAINES: Yeah. Thank you.

12 I'd like to make some comments about the --  
13 at a later point, if I could.

14 But I -- if I can make two comments just  
15 about what's happening in the world real quickly. And  
16 one has to do with Hurricane Ian, that's set to hit  
17 Florida landfall within the next few hours.

18 It's a near Category 5 storm in terms of its  
19 strength. It's predicted to blast winds up to 195 miles  
20 an hour. And it's prompted evacuation orders for  
21 two-and-a-half million Floridians. And it's going to  
22 have major impacts in terms of rain, wind and flooding  
23 and power outages.

24 Secondly, I'd like to just give an update on  
25 the Mosquito Fire. It's 85 percent contained,

1 77,000 acres burned. It's the largest fire in  
2 California this year. 1,300 personnel are still  
3 fighting that fire.

4 So thank you for this, letting me make those  
5 comments. And I don't want to take any time away from  
6 our school superintendent, Mr. Thurmond.

7 Thank you.

8 MS. COHEN: Thank you.

9 Thank you for also sharing -- sharing the  
10 update. We know that the work that we do in terms of  
11 property tax assessment and ultimately collection  
12 goes -- portion of that goes into, not only public  
13 education, but fighting fires.

14 MR. GAINES: Right.

15 MS. COHEN: So that is important and timely.

16 MR. GAINES: Right. Thank you.

17 MS. COHEN: Mr. Thurmond, we've got one more  
18 speaker, Ms. Stowers, who's the Executive Director of  
19 the Board of Equalization. She's going to make opening  
20 remarks, and then we will turn to you, sir.

21 Thank you for joining us.

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

24 I would like to thank -- first, thank the  
25 Board for their leadership in exploring ways that the



1 property tax system could be utilized to incentivize  
2 affordable housing in California.

3           This Work Group of Property Tax Abatement  
4 provides a valuable form for public discussion with  
5 taxpayers, stakeholders, and state local officials on  
6 this complex issue.

7           This is a great opportunity for anyone to  
8 provide input and propose possible solutions and other  
9 ways that we can work together to spur affordable  
10 housing.

11           I would like to kind of share a personal  
12 note that I've just kind of -- when we talk about  
13 affordable housing, it's a complex issue. And I'd like  
14 to note -- share that, here's what I'm dealing with,  
15 with one of my neighbors who had to relocate and decide  
16 to put their house up for sale.

17           Nice house, five bedroom, three bath,  
18 motivated seller. Put it on the market for below market  
19 rate of \$600,000. Open house, bidding war, house sold  
20 in two days, cash offer, \$750,000. Escrow closed the  
21 next day. House for rent, \$4,000. Three times the  
22 rent, \$12,000, you have to earn. Not really affordable.  
23 That's my personal take.

24           But going back, as BOE co-administers the  
25 welfare exemption, we have a critical role in how we can

1     elevate the housing crisis.

2                     Finally, I'd also like to thank esteemed  
3     group of presenters for taking time out of their busy  
4     schedule to participate today.

5                     The last two meetings of this Work Group  
6     have provided a wealth of information, and I'm very much  
7     looking forward to today's discussion.

8                     Thank you, Members.

9                     MS. COHEN:   Of course.  Thank you for that  
10    sobering reality.  Our conversation is very timely.

11                    And with that, I'd like to welcome to the  
12    microphone our California Superintendent of Public  
13    Instruction, Mr. Tony Thurmond.

14                    He is joining us via the Team's environment.  
15    And due to -- due to weather, his plane was delayed.

16                    So thank you for making every effort to be  
17    here.  The floor is yours.

18                    Good morning.

19                    MR. THURMOND:  Thank you, Madam Chair and  
20    Members of --

21                    Thank you, Madam Chair.

22                    And to the Members of the Board of  
23    Equalization, thank you for the opportunity to speak  
24    remotely.

25                    Regrettably, I was not able to join you in

1 person due to issues with weather-related travel.

2 BOE Member Gaines referenced it, and our  
3 hearts go out to those who were impacted directly, as  
4 well as those who are impacted by fire in California.

5 We are continuing to support families in  
6 California who've been impacted by fires, especially in  
7 our school communities.

8 And we know that while the federal and state  
9 proclamations for emergency get underway, many of those  
10 families need help. And one of the places where they've  
11 needed help is in housing assistance, food, water. And  
12 so we've been providing support to our school  
13 communities in that way.

14 Madam Chair and Members of the Board of  
15 Equalization, I want to thank you for taking up the  
16 issue of affordable housing.

17 As you can imagine, it has been a big part  
18 of the equation for our efforts to retain school staff  
19 and recruit school staff. Teachers and classified  
20 staff, and administrators, like everyone else, are  
21 impacted in a way where we are just losing folks.

22 And I appreciate your willingness to take up  
23 the issue of increasing revenue for affordable housing,  
24 in particular, for our school-based employees.

25 I would say at the outset that seeing the

1 level of retirements that we're seeing, in projected  
2 retirements of teachers and others, that this is a  
3 critical issue.

4 I would share with you, as I'm sure you  
5 know, that there are many who feel fatigued from the  
6 effects of the pandemic.

7 And at the same time, as you heard from your  
8 Executive Director, the demand for housing has reached  
9 such a level that most Californians are simply being  
10 priced out of the ability to live the American Dream.

11 It's something that, you know, my  
12 grandparents who came here as immigrants, and my  
13 grandparents on my other side who were former slaves,  
14 you know, live to be able to own a home. And that  
15 reality has slipped away from most Californians. And so  
16 we appreciate you taking up this issue.

17 I think, you know, that in my time in the  
18 Legislature, I've worked on a number of affordable  
19 housing-related efforts, including establishing junior  
20 accessory dwelling units that would make the  
21 requirements for creating these units less restrictive,  
22 you know, less requirements around parking, around  
23 permitting, and making it easier for someone who may  
24 have an extra room in their home who can create a unit  
25 to be available for someone who might be a senior, or

1 might be a teacher, or a classified staff member.

2           But, even so, we continue to see challenges.  
3 Even though the Legislature has put billions of dollars  
4 into affordable housing programs, we just are finding  
5 that there are not enough resources to help, and, in  
6 particular, our educators.

7           I would just say this; that I think we have  
8 to get to a place where our school districts are able  
9 to, first and foremost, provide greater salary for  
10 teachers and classified staff.

11           And that is the most important thing that we  
12 can do to make it possible to provide housing as a  
13 reality for educators and for the missing middle that  
14 often is not able to be supported by various state  
15 programs.

16           Aside from that, I do think that there are  
17 things that can be done to support our missing middle.  
18 Our teachers, our First Responders, and others who work  
19 in communities where they'd like to live in those same  
20 communities. And we get the benefit of having teachers  
21 and classified staff and administrators living in the  
22 communities where they serve tremendous benefit for our  
23 students.

24           Thank you for taking up the property tax  
25 work group, and for making this a priority policy

1 discussion about ways that we may be able to use  
2 tax-related resources to support affordable housing.

3 I look forward to the conversations that you  
4 will have about any -- any tax abatement that could take  
5 place. And I -- I think it's worthy for discussion  
6 about the possibility of a tax abatement program.

7 I would offer just one caution. And that  
8 caution, if there's going to be any property tax  
9 abatement, means less money for schools at the local  
10 level. And that it would come at a time where schools  
11 are -- are preparing for it to be a downturn in the  
12 economy and less revenue. They've already been  
13 projections about less revenue coming forward. And I  
14 would ask you just to consider that right now school  
15 leaders are still struggling to make their ends meet and  
16 to balance their budgets. And that there is a concern  
17 that any property tax abatement would mean less money  
18 for local schools over a course of many years that would  
19 not be replaced.

20 And so I would just ask you to consider the  
21 impacts that such action could have, and ask you that  
22 with your committee, that you consider the full range of  
23 options that can be helpful to creating revenue for  
24 affordable housing for school staff.

25 For example, tax credits. And I would point

1 to a program in 2019 that our office worked on with the  
2 Governor's office to generate more tax credits for  
3 building affordable housing.

4 In 2019, the proposal that we worked on led  
5 to more than \$500 million in tax credits that were  
6 available, and a set aside of \$200 million worth of tax  
7 credits that can go to middle-income Californians who  
8 wouldn't apply for the traditional low-income tax credit  
9 programs.

10 These tax credits were made available for  
11 developers to essentially sell to investors to generate  
12 revenue for building affordable housing, and to work in  
13 conjunction with school districts that can make land  
14 available.

15 In many cases, districts were able to make  
16 surplus property available, not for sale, but maybe  
17 through a long-term lease in partnership.

18 And so the combination of these efforts, the  
19 tax credits, working with school districts that had  
20 surplus property to make available, had created  
21 opportunities to build more affordable housing, multiple  
22 units.

23 And this is not, you know, what people might  
24 think, it's not like saying, "Oh, you're a teacher, and  
25 you're -- you're -- you're -- your principal or your

1 superintendent is going to be the person who holds your  
2 mortgage."

3           A completely separate arrangement between  
4 the developers, the tax credit, and the tax credit  
5 program that was monitored and administered by CalHFA.  
6 And so that there were guarantees that these tax credits  
7 would be put to good use to support programs for our  
8 educators.

9           And -- and so we hope to see more efforts  
10 like these focus on building affordable housing for our  
11 educators. Clearly the state needs to revisit programs  
12 that it has for down-payment assistance.

13           You know, as your Executive Director  
14 described, the kind of competitive market that exists  
15 right now for housing where people are buying houses in  
16 cash makes it difficult for many of our working  
17 Californians to be able to -- to even bid on a house.

18           And so I would submit to you that we would  
19 be happy to work with the Board of Equalization on  
20 strategies to generate revenue for affordable housing on  
21 any new bills that might get sponsored in the next  
22 legislative session by the BOE. We'd be happy to  
23 jointly sponsor bills that will prioritize creating  
24 affordable housing for teachers, and classified staff,  
25 and administrators, and others who work in our school



1 environment.

2 I would only offer the caution that any tax  
3 abatement could have devastating effects on the local  
4 revenue sources for school districts, and -- and ask  
5 that the committee looked broadly for opportunities to  
6 generate revenue, like the tax credit program, or other  
7 programs that we could get behind without any unintended  
8 and negative consequence to our local schools, as it  
9 relates to their ability to have financing.

10 I'll stop there, Madam Chair. And submit to  
11 any questions that you or the Members of the Board may  
12 have for me.

13 Thank you for the opportunity to provide  
14 these comments.

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

16 I -- I have a question. Perhaps you have  
17 some advice or guidance you can give us as we begin to  
18 navigate. The waters are starting to get choppy, if you  
19 will, when we talk -- when we talk about tax abatements.  
20 And there is a lot of consternation around backfill and  
21 the need to backfill these -- these potential loss of  
22 revenue, particularly, how it will impact public  
23 education.

24 I wanted to hear some of your thoughts  
25 around this topic, if you had any.

1                   MR. THURMOND: Well, I think backfill is a  
2 strategy that could work if there was a guarantee that  
3 you could have the revenue available to backfill.

4                   But without that type of a guarantee, it  
5 seems as though it is simply a risk, and a risk that  
6 could be born by schools, and, ultimately, the students  
7 that we all want to serve.

8                   And so if the projections are true that  
9 we're already getting -- that revenue, as soon as this  
10 year, will be lower, it would seem that a backflow  
11 strategy would be hindered with no guarantee to provide  
12 that revenue.

13                   And on top of the fact that projections are  
14 lower, what I -- what I worry about is when the economic  
15 downturn happens again. And you all know better than  
16 me, the way we fund education in our state leaves us to  
17 be very -- to be subject to volatile conditions.

18                   I'm grateful that these last few years,  
19 California has had the revenue to expand programs for  
20 things like universal preschool for every four-year-old,  
21 and universal meals for every hungry student, and to  
22 expand our after-school programs to support students who  
23 need additional supports to overcome learning loss, and  
24 to accelerate learning, and to address learning  
25 recovery.

1                   But as soon as the economy takes a dip, we  
2 are at risk for seeing less revenue for our schools.  
3 And even with all the support that states that -- that  
4 the state budget and the federal relief package has  
5 provided to our schools, there are so many schools that  
6 are still looking at structural deficits.

7                   When these dollars go away, they're going to  
8 be back to making hard decisions about closing schools  
9 and potentially laying off staff.

10                  And for those reasons, I would say that the  
11 idea of a backflow strategy needs to be evaluated. And  
12 recognize that there is a fair amount of risk that in  
13 short order and in just a few years we might find  
14 ourselves without the revenue to actually backfill.

15                  MS. COHEN: Well said. Well said.

16                  Thank you very much.

17                  My colleague, Mr. Vazquez, has a -- has a  
18 question for you.

19                  MR. VAZQUEZ: Good morning, todayo.

20                  Just real quick, as I'm looking at -- I  
21 think you hit on a very good point. And as a former  
22 teacher, I'm real sensitive to obviously making sure  
23 that we have adequate funding for our schools.

24                  So my strategy, at least at the beginning, I  
25 think, or what I was going to recommend to our group

1 here as we move forward, is to maybe target properties  
2 that are currently not paying taxes.

3           For example, there's a lot of cities and  
4 school districts, like even in Santa Monica, that we  
5 have properties that are -- maybe are underutilized, or  
6 are vacant, which are not paying property taxes now,  
7 because they're exempt. Because they're used for, in  
8 this case, for schools.

9           And I was wondering if there's any, on your  
10 end, looking at the state, if there's any kind of a list  
11 or an inventory of properties that school districts  
12 throughout the state of California, that are either not  
13 being used currently at schools, for example, or maybe  
14 as schools that have been closed that are, just maybe  
15 need to be repurposed that we can look at. Since  
16 they're not on the tax rolls now, that wouldn't create  
17 an impact.

18           But, yet, they could be used at least to  
19 start the program in terms of developing a workforce  
20 housing or true affordable housing in the state of  
21 California.

22           MR. THURMOND: Thank you for the question.

23           You know, at the moment, we do not have a  
24 list of inventory of statewide inventory of parcels that  
25 are vacant at school districts. But we would be happy

1 to work with our school district leaders to have them  
2 identify parcels that they have that they might be able  
3 to designate as a priority for consideration for  
4 building affordable housing.

5           There are a number of districts that have  
6 pursued this work. You know, in San Mateo County and in  
7 other parts of the state, there are wonderful examples  
8 of where the school district has built housing.

9           And I should say, for our K-12 through  
10 Higher Education Partners, in many cases the recipients  
11 are both in the pre-k through 12 space, as well as in  
12 community colleges and four-year college space. And  
13 there are many examples of where this has been done.

14           I think, as you all are pointing out, we  
15 need the revenue. And -- but there are examples. And  
16 we would be happy to convene a number of partners,  
17 school districts, certainly through the Association of  
18 Administrators, and our partners, our Teachers  
19 Association, our Classified School Employees  
20 Association, I know they're all interested in this  
21 issue. And we'd love to pull them all together to help  
22 identify parcels. But it would have to be done on a  
23 district-by-district basis at this point.

24           MR. SCHAEFER: I had a question.

25           MS. COHEN: Okay. Soon.

1 MR. VAZQUEZ: Yeah. I appreciate it.  
2 Looking forward to working with you on this.  
3 MR. THURMOND: Likewise.  
4 Thank you, sir.  
5 MS. COHEN: All right.  
6 Mr. Vazquez -- I mean -- sorry.  
7 Mr. Schaefer.  
8 MR. SCHAEFER: Thank you.  
9 Superintendent Thurmond, Mike Schaefer.  
10 Nice to see you again.  
11 MR. THURMOND: Good morning.  
12 MR. SCHAEFER: I used to have a clock-hour  
13 \$12 teaching license a long time ago. \$12 an hour. I  
14 remember the field that came in and prohibited any of  
15 our education facilities being more than one story.  
16 Was that it? And has there been any change  
17 in that? Do they have any multiple-story facilities  
18 being built within California today, and or a  
19 subterranean?  
20 I'm just wondering if that would be an issue  
21 that would relate to the amount of space we have  
22 available for classrooms.  
23 MR. THURMOND: There's no question that many  
24 of our districts still struggle as it relates to space.  
25 But our schools are going through major

1 conversations right now about how to offset declining  
2 enrollment. Our schools are trying to make decisions  
3 about the number of schools they should have for their  
4 population.

5           There are all kinds of conversations taking  
6 place right now about how to reinvent what we do. How  
7 to re-envision and reimagine what we do. How we deliver  
8 education to a very diverse population, and a changing  
9 population. You know, California, has law students. We  
10 believe that many of those students have gone onto other  
11 states, in some cases maybe home school, in some cases  
12 maybe in private school.

13           But the reality is that California has been  
14 seeing a decline in population for decades, and that  
15 decline has been exacerbated during the pandemic. And  
16 it puts California in a position where we have to  
17 reimagine everything we do.

18           As a matter of fact, tonight we're hosting a  
19 statewide town hall with parents to ask about, you know,  
20 what are your concerns about school. If you left  
21 California schools, why?

22           We're going to reach out -- we're going to  
23 do outreach to a million homes in our state to say we  
24 want to hear from our California school parents.

25           What are your concerns about education?

1 How can our system best accommodate the needs of you and  
2 your students and your families?

3 And so in the midst of all these  
4 conversations about improving housing availability,  
5 we're also working as a system to say, "What more can we  
6 do? What -- what courses can we offer?"

7 I -- you know, this past year, our office  
8 sponsored a bill to expand dual-language immersion  
9 programs. Because we know that many of our families  
10 want the ability for their child to learn another  
11 language, to have access to dual-language immersion  
12 instruction.

13 And so we're working on ways to offset  
14 declining enrollment. And I think that's part of the  
15 conversation that schools have, about the use of space,  
16 about managing classrooms, and how do we project for the  
17 future.

18 We can get you the guidelines about what  
19 schools are allowed to build. There are new guidelines  
20 being put out by many groups, including the state  
21 architect and others.

22 We can get you that information sent to your  
23 office, Mr. Schaefer, so you have access to what the  
24 latest standards are for school construction.

25 I would also just mention, while we're on



1 that subject, this last year's state budget provides  
2 some \$8 billion for school construction and maintenance  
3 to help our schools address a number of their issues.

4 And so we're happy to get you any  
5 information you want about the standards for school  
6 construction going forward.

7 MR. SCHAEFER: Yes.

8 This is Hispanic Heritage Month, as you  
9 know. And San Diego is the fastest growing Hispanic  
10 part of our state. Except, in the educational field,  
11 the Hispanics are not succeeding as much as would be  
12 expected. And I'd like to see, you know, more  
13 opportunities, education-wise, and more motivation for  
14 the Hispanic Community. Now that it's Hispanic Heritage  
15 Month, we can address that.

16 MR. THURMOND: Well, I would just say that  
17 we certainly have our challenges to close the  
18 opportunity gap. Some call it the achievement gap, I  
19 call it the opportunity gap. Because I believe that our  
20 students can achieve, but they've faced many barriers  
21 like poverty, and social economic challenges, and  
22 institutional racism.

23 And for decades, literally decades, this  
24 country has been talking about how to close that gap.  
25 And I believe that we can. I think if we do things like

1 recruit and support more educators of color. If we  
2 offer more support around literacy for our students. If  
3 we continue to address the crises that our students have  
4 experienced during the pandemic. Right now our officers  
5 work with the Governor's office to secure funding to be  
6 able to recruit 10,000 more counselors to work in our  
7 schools so that we can help our students.

8           We have a Community Schools Initiative that  
9 will help students all across the state get help with  
10 mental health, health, social services. If you're  
11 hungry, we have a universal-meals program.

12           We have the resources to re-envision  
13 California schools and to overcome the many challenges  
14 that we face. And I believe that Latino students and  
15 African-American students and low-income students from  
16 all backgrounds will achieve, but we have to be vigilant  
17 in our work.

18           And I would say there are examples of  
19 where -- places where our students are excelling,  
20 including Latino students. And great examples in San  
21 Diego County. For example, San Diego Unified has had  
22 tremendous growth in a number of areas. And I believe  
23 that you would be impressed to see great examples of  
24 San Diego Unified and -- and districts all across the  
25 state.

1           And so we're proud of our students. And as  
2 we celebrate Hispanic Heritage Month, we think that  
3 Latino students are on the move. We think that we're  
4 going to do great things for Black students, and for  
5 low-income students of all backgrounds. But we have to  
6 be vigilant. We have to be willing to have tough  
7 conversations.

8           We're administering a grant on anti-bias in  
9 education as we speak in our schools. We have to have  
10 courageous conversations about addressing bias where it  
11 exists. We have to have courageous conversations about  
12 diversifying our workforce.

13           We have to acknowledge that many of our  
14 students live in communities that have high degrees of  
15 segregation, high degrees of poverty, and other social  
16 economic challenges that have been barriers to their  
17 success. But we won't allow them to prevent our  
18 students from succeeding.

19           MS. COHEN: Thank you very much.

20           MR. SCHAEFER: Thank you.

21           MS. COHEN: I want to pivot us back to the  
22 topic at hand.

23           Those are fantastic accomplishments you and  
24 your team are doing for the students across the state of  
25 California, but particularly the Latino students in

1 San Diego. We appreciate that.

2 I think we are just about out of time. And  
3 wanted to see if there's -- oh, Mr. Gaines has one  
4 question, and then we will let you go.

5 Go ahead.

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

7 Thank you, again, Superintendent Thurmond,  
8 for your comments.

9 And I recall when we were in the Legislature  
10 that there was an actual statute that I supported that  
11 passed that provided the opening up of those excess  
12 lands on school sites or school -- school district-owned  
13 properties.

14 And so it's -- it's nice to hear there's  
15 been some progress made there. And I'm hopeful that  
16 that will continue in the future.

17 Do you think that there is hope for  
18 regulatory reform?

19 I'm speaking specifically of CEQA,  
20 California Environmental Quality Act, which has been  
21 very difficult to work around in terms of trying to  
22 produce additional housing units in California.

23 And I'm just hoping that we can get people  
24 around the table from various interest groups, and --  
25 and be able to arrive at some sort of kind of logical

1 compromise that this makes it less expensive to -- to  
2 build housing in California.

3 MR. THURMOND: Thank you, Mr. Gaines.

4 And I'll keep it brief. The Chair has asked  
5 me to keep it focused on housing.

6 I would just say that there have been many  
7 bills tried by our former colleagues in the Legislature  
8 to figure out ways to streamline many parts of the  
9 process, not just -- not just CEQA, but permitting at  
10 the local level, and to get cities to make a commitment  
11 to enhancing a number of affordable housing units that  
12 they are committed to.

13 I would just say that it's going to take a  
14 conversation about every aspect related to housing for  
15 us to get there.

16 These are daunting challenges. And  
17 everything has to be on the table for conversation. It  
18 may not be that anyone -- everyone will agree. But I  
19 think we have to look at every aspect of how we will  
20 provide more for Californians.

21 This is something that every Californian  
22 should have. And -- and it's slipping away quickly.  
23 And it will require creativity, openness and innovation.  
24 And we, at the California Department of Education, are  
25 happy to be at the table of conversation about

1 solutions. We want to be focused on solutions in a way  
2 that we can do no harm. We don't want to hurt schools  
3 in the process. And so that's why I made the cautions  
4 that I did earlier.

5 But, again, I applaud the Board of  
6 Equalization for being willing to create this work group  
7 and taking up the -- the -- your leadership on the  
8 conversation of how can taxation play a part in the  
9 equation of building more affordable housing.

10 And, Mr. Gaines, we'll stand by and be happy  
11 to be a part of those conversations about CEQA or  
12 permitting or -- or anything else.

13 And just know that you can count on us to be  
14 a part of this effort going forward to build more  
15 affordable housing for our educators, who -- who, like  
16 most Californians, like all Californians, greatly  
17 deserve that opportunity.

18 MR. GAINES: Great. Thank you so much.  
19 Appreciate it.

20 MR. THURMOND: Thank you.

21 MS. COHEN: All right. Thank you.

22 It's a great note to put a final point on.  
23 We don't want to hurt schools.

24 Thank you. I appreciate your contributions  
25 today.

1 MR. THURMOND: Thank you.

2 MS. COHEN: All right. Next, I'd like to  
3 pivot back to our clerk of the Board.

4 MS. CICHETTI: Yes. Thank you.

5 I'd like to do some housekeeping.

6 We will announce the item that Mr. Thurmond  
7 was speaking.

8 Item III on today's Board Work Group  
9 Agenda is the Financial Impact of Implementing Property  
10 Tax Abatements: "Exploring the Backfill Options for  
11 Local Governments and Schools."

12 We have quite a few different groups that  
13 are coming up. Mr. Thurmond was part of the first one.

14 We have Brian Uhler, Deputy Legislative  
15 Analyst, California Legislative Analyst Office.

16 Please come forward.

17 MS. COHEN: Thank you very much for joining  
18 us today.

19 MS. CICHETTI: -- our next speaker.

20 MS. COHEN: So you heard a little bit of the  
21 remarks. You heard from our Superintendent of Public  
22 Instruction.

23 Mr. Uhler, we're grateful that you're here  
24 to join us this morning.

25 MR. UHLER: Yes. Thank you for having me.

1                   We appreciate you inviting our office to  
2 come and be part of this conversation.

3                   And I just wanted to kind of open my  
4 comments by saying we're here to offer some neutral  
5 thoughts on this concept.

6                   And just -- just want to be clear that  
7 nothing in our testimony today should be taken as  
8 necessarily as an endorsement of any of the concepts  
9 being discussed. So just kind of wanted to get that out  
10 of the way.

11                   MS. COHEN: We appreciate the disclaimer.

12                   MR. UHLER: My -- my comments are going to  
13 kind of be grouped in two pieces.

14                   The first would be some key features that we  
15 think if -- if the state were going to explore creating  
16 a new program, to provide some backfill funding to cover  
17 any property tax losses for local governments and  
18 schools, some key features that we'd suggest that  
19 program include.

20                   And then the second part of my comments will  
21 just be kind of stepping back and thinking about this  
22 from a kind of big picture, state policy perspective.  
23 Just some comments on potential challenges or issues for  
24 you to consider as you move forward in your process.

25                   So, first, thinking about some -- some key



1 features that we would suggest including in a backfill  
2 program. And this is based on looking at a couple of  
3 things.

4           The first is looking at some common  
5 characteristics in the State's existing programs for  
6 funding affordable housing.

7           The second is looking similarly at common  
8 characteristics in other kinds of state tax expenditure  
9 programs that are aimed at encouraging certain types  
10 of -- certain types of economic activity.

11           So looking at the -- at those other  
12 examples, what are some -- some things we think should  
13 be included here?

14           The first is having some sort of aggregate  
15 cap on the amount of property tax abatement that would  
16 be available to developers in any given year.

17           So this would be as -- instead of -- instead  
18 of the property tax being -- abatement being available,  
19 essentially, as an entitlement, that you kind of check  
20 the box, you say you meet the requirements, you get the  
21 property tax abatement, instead, there would be a  
22 process to competitively award the abatement to  
23 developers based on the -- the extent to which their  
24 projects are meeting state goals on housing  
25 affordability or -- or other policy goals.

1           In this model -- there's a few reasons for  
2 this. And -- and it's the reason why we see this model  
3 being used by the Low-Income Housing Tax Credit program,  
4 by the grant and loan programs that are administered by  
5 HCD for affordable housing, and by other kinds of tax  
6 expenditures, be it the California Competes Tax  
7 expense -- or Tax Credit or the film tax credit. They  
8 all follow this similar kind of model.

9           And there's a few reasons. One is that by  
10 creating kind of an aggregate cap saying, for example,  
11 the -- the state will -- will only provide backfill for  
12 \$200 million of abatements in a given year, that  
13 provides a fiscal certainty for the state that makes  
14 the -- the budgeting easier if -- if it's set up as an  
15 entitlement.

16           That makes it a lot more unpredictable for  
17 the state from year to year to -- to be sure that  
18 they'll have the money to provide the backfills to local  
19 governments and schools.

20           The second -- the second piece is with any  
21 tax expenditure, including this one, you -- you have the  
22 risk that the tax benefit could be provided to a  
23 taxpayer carrying out an activity they would have done  
24 anyway, regardless of receiving the tax benefit.

25           In other words, receiving kind of a windfall

1 benefit from -- from the tax abatement, that's a risk  
2 here. It's a risk with any tax expenditure program.

3           And so one of the potential benefits of  
4 having a more competitively-awarded process is that you  
5 can ask the developers to demonstrate that their project  
6 would not have moved forward but for receiving this  
7 additional financial assistance.

8           The third component that we would suggest  
9 including would be creating an administrative structure  
10 for compliance in performance monitoring that.

11           Now, there are efforts at the state and  
12 local level existing with the Low-Income Housing Tax  
13 Credit or with the welfare exemption at the local level  
14 to do compliance monitoring for affordable housing, but  
15 neither of those would necessarily overlap with the  
16 target population that you all are looking at with  
17 workforce housing.

18           And so you would need to think about  
19 creating an administrative apparatus that would be able  
20 to, not just on the front end check that -- that  
21 projects are complying with what's necessary to get the  
22 abatement, but that the -- the developers are meeting  
23 their obligation over time to keep those affordability  
24 limits in place.

25           The final piece would be to suggest that the

1 state backfill be provided, in a sense, on the front end  
2 of the property tax allocation system.

3           And so basically what I mean is that the  
4 state would essentially enter into an agreement with the  
5 developer to pay their property taxes on behalf of the  
6 developer.

7           And this would be kind of maybe following a  
8 model from the State Controller's Office for the  
9 Property Tax Postponement Program where the state enters  
10 an agreement to allow seniors to defer their property  
11 taxes, makes the payment on their behalf. It would kind  
12 of follow a similar model there.

13           The state would, on the front end, pay the  
14 property taxes. So there's a few -- there's a few  
15 benefits to this.

16           One is that it provides -- it limits the  
17 fiscal impact for local governments and schools. If the  
18 state just makes the payment into the system, that  
19 dollar could be treated like any other property tax  
20 dollar.

21           From the local government's perspective,  
22 they -- they wouldn't see a difference. The revenues  
23 would flow through them in the same way.

24           The -- the challenge with the alternative,  
25 say, if you create the abatement, there's a revenue

1 loss. We account for it on the back end. Each city and  
2 school and county comes to the state and says, "I lost  
3 \$5 million last year."

4           There's a few challenges with that. One was  
5 alluded to by the superintendent, which was the locals,  
6 I think, would be probably -- and I won't necessarily  
7 speak for them. Because I know you have them on a later  
8 panel.

9           But I suspect they would be somewhat uneasy  
10 with this kind of an arrangement. Because you're a  
11 little bit at the whim of the state to continue  
12 providing that backfill. And it would necessarily be on  
13 a lag, because it would take a couple years to do that  
14 accounting. And the state would then, you know, make  
15 that payment in arrears. The counties and cities and  
16 schools would be, in some sense, reliant on the state to  
17 keep good on that payment.

18           Whereas, if the state made the payment  
19 upfront when the abatement occurred, they don't have as  
20 much of that risk.

21           The other benefit of doing it upfront is  
22 that you're just -- you're avoiding adding additional  
23 complexities to an already pretty complicated property  
24 tax allocation system. So there's, like, some of the  
25 key features.

1           So then just pivoting quickly to some  
2 high-level points on thinking about this just from a  
3 broader state policy perspective in terms of, you know,  
4 effective and efficient, you know, state -- state  
5 administration.

6           You know, in some sense, if the state were  
7 to be -- were to provide a backfill for a property tax  
8 abatement program like this, it would be, in essence,  
9 the state allocating additional resources towards  
10 affordable housing efforts.

11           And the state already does make several  
12 allocations for affordable housing through HCD, through  
13 CalHFA, through -- through several avenues.

14           And so kind of a big-picture question for  
15 you all to consider is what advantage, what unique  
16 benefit is being provided by creating this new  
17 additional property tax abatement program?

18           As opposed to, say, putting additional money  
19 or broadening the scope of some of those existing tools  
20 that we have.

21           Again, the Superintendent mentioned a few  
22 years ago how we broadened the scope of the Low-Income  
23 Housing Tax Credit to try to build housing for those at  
24 higher income levels. You know, that could be an  
25 alternative here.

1           So something to consider is what is -- what  
2 is the unique benefit, as opposed to leveraging those  
3 existing institutions that you would get by doing  
4 something like the property tax abatement.

5           Relatedly, it -- you know, that kind of  
6 raises a similar question of what is -- what is the  
7 benefit of -- of tying the financial assistance to  
8 developers to some amount of property taxes owed, as  
9 opposed to if we compare it to the model we use for the  
10 Low-Income Housing Tax Credit, or HCD's housing  
11 financing programs, which the payment is more tied to a  
12 particular amount of development costs, or some  
13 financing gap that the developer has.

14           The property tax, I think, is -- is -- has  
15 maybe less of a nexus to the amount that the developer  
16 is going to need to get that project over the line, as  
17 opposed to if we just ask them, "How much money do you  
18 need to get the project over the line?"

19           You know, I think there's -- there have been  
20 some references to there are other states like New York  
21 with the 421-a program that do tie this kind of  
22 assistance to an amount of property taxes.

23           In that case, there's a -- there's an  
24 argument for that, that doesn't necessarily apply as  
25 much in -- in California. And that is with New York's

1 property tax system, rental housing ends up paying a  
2 higher effective property tax rate than for-sale condos.  
3 And so this can create a financial disincentive for  
4 builders to do rental housing projects.

5                   And so the -- the motivate -- part of the  
6 motivation behind the 420 -- 421-a program is to kind of  
7 level that playing field between rental housing and  
8 condos. And that justification doesn't exist as much in  
9 California, because we don't have that kind of disparate  
10 treatment of those properties.

11                   So with that, I'll stop there, and -- and  
12 take any questions that you all might have.

13                   MS. COHEN: Thank you very much for being  
14 here.

15                   So I appreciate this. Because I just wanted  
16 to just to, I guess, kind of put this in perspective.  
17 The speaker that we heard from, Tony Thurmond, and then  
18 Brian Uhler --

19                   MR. UHLER: Uhler.

20                   MS. COHEN: Uhler, who's a Deputy  
21 Legislative Analyst. They are speakers giving the  
22 government perspective. And so this perspective is  
23 absolutely critical.

24                   And like you said in your presentation,  
25 there are some models that kind of exist out there. So



1 we could be moving down a very interesting path.

2           Really, my question is, is why hasn't anyone  
3 thought of this before? Why hasn't this ever been  
4 explored before? Or has it? And if it has, what were  
5 the results?

6           MR. UHLER: Yeah.

7           You know, I -- that's a good question.  
8 It's -- I mean, it's one I wish I had an answer to.

9           I don't know if this is something that's  
10 been looked at before.

11           MS. COHEN: Do you know where we could find  
12 that answer?

13           We need to probably find some retirees to  
14 kind of -- that have the institutional knowledge.

15           MR. UHLER: I don't know. I mean, I don't  
16 know. Let me -- I can -- I'll think about that, and  
17 maybe I can circle back with your staff about it.

18           MS. COHEN: Yeah. All right. I appreciate  
19 that.

20           Thank you. Thank you.

21           Let me see. Colleagues?

22           Mr. Vazquez.

23           MR. VAZQUEZ: Thank you, Mr. Uhler, for your  
24 presentation. I always look for LAO to give us this  
25 very objective analysis here.

1           And I -- and I -- and I've read your article  
2 on the revenue that was published in September 14th.  
3 You know, the "Big Three" Revenue Outlook piece. And it  
4 discusses the outlook on the major taxes, personal  
5 income sales, corporation taxes. And mostly like --  
6 most likely, they're not to fall below the projected  
7 revenue assumptions of \$210 billion.

8           In other words, there is a 70 percent chance  
9 that the revenue from these sources will be below  
10 projections.

11           I know you probably do not do such a deep  
12 dive, or even consider this. But based on your  
13 assumptions on the three revenue sources, how will the  
14 changes in the economy affect property tax revenue, and  
15 how will the abatements affect property tax revenue?

16           MR. UHLER: Yeah.

17           So I think I can speak a little more to the  
18 first part of that question than the second.

19           So just stepping back, one thing that we've  
20 been commenting to the Legislature about since the  
21 spring, and I think it's reflected in that -- in that  
22 blog post you mentioned, is that we -- we've been  
23 warning that there's a heightened risk of an economic  
24 downturn in the near future, and that the state needs to  
25 be sort of cautious about what that mean -- might mean

1 for state revenues.

2                   And this was based on kind of looking at a  
3 kind of a number of, you might say, leading economic  
4 indicators. And that suggests that, you know, there  
5 could be some weakness on the horizon for the state  
6 revenues.

7                   Those -- that analysis that we did looking  
8 at state revenues, I think similarly applies to property  
9 taxes. Although there are some factors that mitigate  
10 that. With -- with California's acquisition value  
11 system, the property tax is much less volatile than any  
12 of those three state resources that you mentioned. I'm  
13 sure you all are aware of this.

14                   So we do think that there -- there is some  
15 potential risk that applies to property tax as well.  
16 But the downside is probably not as much as with -- with  
17 the state's revenues. And it's likely to come on more  
18 of a -- more of a lag.

19                   Whereas the state is already starting to see  
20 the cash come in weak for, like, the income tax. Any  
21 effects on property taxes of, for example, the weakness  
22 that we're starting to see in the housing market, could  
23 take a couple of years to show up.

24                   On the abatements, I -- I think it just kind  
25 of depends on the details. And so that isn't something

1 that we've really looked at for me to speak to.

2 MR. VAZQUEZ: But given -- well, now that  
3 you've brought this up on the abatement side, from your  
4 experience and the analysis you've done, have you ever  
5 looked at what may be more effective, abatements versus  
6 tax credits?

7 MR. UHLER: So that's not something our  
8 office has looked at specifically. But I can say this,  
9 that it's not -- it's not a perfect parallel.

10 But there was a proposal a few years ago to  
11 create a state opportunity -- opportunity zone tax  
12 benefit to, among other goals, incentivize housing  
13 development.

14 And one of the comments that we made at that  
15 time about opportunity zones was that affordable housing  
16 financing is already pretty complicated.

17 I think you all had some developers in here  
18 at your last hearing who probably -- who told you about  
19 how they have to put together seven different streams of  
20 funding in order to make the projects pencil together.

21 So one of the big disadvantages of, say,  
22 doing an additional piece into that puzzle for them with  
23 the property tax abatements is that it's just adding  
24 additional complexity to that system. Whereas, you  
25 know, the alternative might be just pursuing, leveraging

1 that existing state Low-Income Housing Tax Credit, for  
2 example. One that the developers are already familiar  
3 with. It's already part of their financing structure.  
4 So that is -- that is an important consideration.

5 As I said before, it's not necessarily a,  
6 you know, a deal breaker that -- adding that complexity.  
7 But you want to be sure that you're getting some sort of  
8 unique benefit from this property tax piece, as opposed  
9 to just leveraging what you have.

10 MR. VAZQUEZ: And you -- you just touched on  
11 another issue.

12 I know that we -- we heard from other folks  
13 in our previous hearings that the state needs to do a  
14 better job of streamlining, maybe creating some kind of  
15 a one-stop shop. Have you ever looked at, you know,  
16 some of the duplicate -- maybe there's some duplication.

17 And I don't know if it's at the state level,  
18 or through some of these commissions. And in hearing  
19 from at least the developers on the housing side saying,  
20 you know, many -- especially the non-profits. They  
21 can't afford to sit back and wait two or three years to  
22 get the -- put the finances together.

23 And if we were to have like a one-stop shop  
24 that would streamline this thing, it would make it so  
25 much easier for them to generate more housing.

1 MR. UHLER: Yeah.

2 You know, I don't -- I don't think I can  
3 speak too much to that one. I've only -- I -- it's been  
4 a few years since I worked on housing policy stuff.  
5 I've kind of migrated over to doing the tax and economic  
6 stuff now. So I don't want to speak based on some old  
7 knowledge.

8 But I -- I do know -- I think in general the  
9 state has tried to be mindful in past budget allocations  
10 about, you know, generally putting funding into the  
11 existing state programs, trying not to add additional  
12 fragmentation.

13 But, yeah, there certainly are a number of  
14 programs spread across a number of state agencies,  
15 federal agencies. So -- yeah. I mean, it certainly  
16 makes sense that the developers would have that  
17 perspective.

18 MR. VAZQUEZ: Thank you.

19 MS. COHEN: Nope?

20 Yes, Mr Gaines.

21 MR. GAINES: Yeah. Great.

22 Thank you very much for all your great  
23 information.

24 And I -- I'm just trying to look at this a  
25 little bit from a more brand -- broader standpoint in

1 terms of declining population, that, from what I've  
2 read, we've had in the last two years, and what is the  
3 adverse effect from a tax perspective?

4           Because, you know, we hear about a lot of  
5 these high-profile people or companies that move out of  
6 the state. If we're potentially entering into a  
7 recession, we talk about abatement for housing, are we  
8 looking at any abatement to keep Californians in  
9 California, so that they're not taking the tax base with  
10 them?

11           MR. UHLER: Yeah. So I think there are some  
12 existing state efforts along those lines.

13           One of the -- one of the things I mentioned  
14 earlier in my comments was the California Competes Tax  
15 Credit Program.

16           And one of the motivations of that program  
17 is -- is that they work with -- with businesses who are  
18 saying California is getting too expensive. We're going  
19 to go to Texas, or whatever. And they try to put  
20 together a package of tax incentives to keep those  
21 businesses here. So there are some -- some efforts like  
22 that at the state level.

23           As far as the general question of the effect  
24 of -- of migration on tax revenues, there certainly has  
25 been a lot of commentary about, especially out-migration

1 during the pandemic, and even before that it was --  
2 there was kind of an accelerating trend of -- of people  
3 leaving the state.

4           And that's definitely true. And it appears  
5 to have intensified during the pandemic. That being  
6 said, we're still kind of talking about it most  
7 affecting a percent or less of -- of the state's tax  
8 base in terms of all of that -- all those migration  
9 flows.

10           So it's certainly an important issue. But  
11 it's -- it's, you know, maybe not among the -- the top  
12 factors in terms of magnitude of things that are going  
13 to be affecting the state budget situation over the next  
14 few years.

15           Probably much more important is just the  
16 broader, kind of economic uncertainty that -- that we're  
17 facing.

18           MR. GAINES: Okay. We've certainly been  
19 able to create wealth through companies going public and  
20 creating a lot of millionaires. And they're paying high  
21 taxes. And we've got that huge surplus. We've had  
22 surpluses for the last few years.

23           And so I just -- I worry about  
24 sustainability, and being able to maintain that.  
25 Because that's been a huge benefit to Californians in



1 terms of that extra revenue flowing in.

2 So --

3 MS. COHEN: Thank you.

4 Thank you very much, Senator Gaines.

5 MR. GAINES: Thank you.

6 MS. COHEN: Good points.

7 Mr. Uhler, you have been spot on with --  
8 today with your comments. I appreciate that. I'm glad  
9 they're on the record.

10 We probably will be connecting back with  
11 you. I am curious to know what, historically, the state  
12 has done, if anything at all.

13 So thank you for making your time to be with  
14 us today.

15 Ms. Cichetti, could you call the next group  
16 of speakers.

17 MS. CICHETTI: The next group of speakers  
18 regarding Private Sector Perspective, Honorable Michael  
19 Roos, Former Speaker Pro Tem, the California State  
20 Assembly, and Eric McKean, Managing Director of Ramirez  
21 and Co.

22 MS. COHEN: Thank you.

23 MS. CICHETTI: Mr. McKean will come forward,  
24 and then Mr. Roos is virtual.

25 MS. COHEN: All right. Great.

1                   Thank you very much. We are very much a  
2 modern body. So we've got Mr. McKean, Eric McKean in  
3 person, and we've got the Honorable Mike Roos online.  
4 So I am going to invite the Speaker to speak first.

5                   Mr. McKean, we'll hear from you second.

6                   Mr. Roos, how are you? Welcome.

7                   Good morning.

8                   MR. ROOS: I'm fine. And good morning to  
9 you, Madam Chair and Members.

10                  It's a real pleasure to be with you. I wish  
11 I could have accepted the personal invitation.

12                  In fact, being introduced as virtual is the  
13 nicest compliment I've received all week.

14                  So -- so it is terrific to be with you.

15                  It's hard for me to believe that it's now  
16 40 years since the Mello-Roos Community Facilities Act  
17 was adopted and signed into law by Governor Brown, the  
18 first term, and -- actually, his second term.

19                  And at the time, I must tell you that for  
20 many of us, we felt it was going to be a bridge piece of  
21 legislation to go somewhere else. It was designed to  
22 solve an immediate problem of infrastructure development  
23 in the state caused by Prop. 13 and the insistence that  
24 any additional infrastructure was basically a tax that  
25 should be voted on.

1                   We found a solution. And here we are  
2 40 years later with it being a robust tool used in  
3 California to develop infrastructure and hopefully  
4 affordable housing up and down this state.

5                   And it's my pleasure and my reason for being  
6 here, not only out of respect for this wonderful body  
7 that I did a lot of work with in my 14 years with the  
8 California State Assembly, but it's my honor to  
9 introduce a colleague of mine at Ramirez and Company,  
10 Eric McKean, a Senior Vice President, who's been  
11 investment banker in the public space for 15 years.

12                   Eric is a graduate of Stanford University,  
13 and a person who understands the implementation of  
14 Mello-Roos like no other banker that I have been  
15 associated with over the years.

16                   He's done, essentially, \$7 billion --

17                   MS. COHEN: Wow.

18                   MR. ROOS: -- in public financing in his  
19 career thus far, two billion of which has led to public  
20 infrastructure development for active projects that have  
21 been completed with people living now in those houses  
22 supported by that infrastructure.

23                   He lives in the Bay Area. He has a new  
24 10-month-old child. His first.

25                   Welcome to parenthood, Eric.

1           And is a member of the Municipal Management  
2 Association in Northern California, along with the BIA.

3           The Municipal Management Association gets my  
4 attention, because it is a nonprofit that is designed to  
5 help people achieve their dream of becoming city  
6 managers of our cities up and down this state.

7           So without any further ado, Madam Chair and  
8 Members, I introduce you to my colleague, a very  
9 talented banker, Eric McKean.

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

11           Mr. McKean, good to see you in person.

12           MR. McKEAN: Good to see you.

13           Good morning, Madam Chair and Board Members.

14           And thank you for having me, and thank you  
15 for involving Ramirez and Company.

16           Ramirez is a public finance firm. And so we  
17 specialize in raising money for public infrastructure,  
18 and, in particular, housing. And we do that through the  
19 CFD Mello-Roos tool that Mike just described.

20           In speaking with Madam Chair's staff, we  
21 thought it'd be beneficial to talk about that tool.  
22 Because there's a lot of merits to the policy that --  
23 that could be relevant to this discussion, and even  
24 potentially some solutions there for this backfill  
25 option.

1           So we have a presentation that I'll go  
2 through very quickly, because I know time is short.

3           So if you could please pull up the  
4 presentation and turn to slide one, that would be great.

5           So we're going to start really with the  
6 basics of what is a CFD. So a CFD is a specific area  
7 where we can levy a special tax.

8           As Mike mentioned, this policy was enacted  
9 as a way to create a mechanism to raise money for public  
10 infrastructure.

11           It's been wildly successful. There have  
12 been thousands of CFDs formed, many billions of dollars  
13 raised for this important infrastructure that allows  
14 housing development to occur throughout the state.

15           What's unique about it is that the special  
16 tax is really flexible in how it's designed and created  
17 The only thing you can't do is have it be an ad valorem  
18 tax, because of Prop 13.

19           It goes on for a very long period of time.  
20 So that's why we're able to sell 30-year bonds that are  
21 secured by these special taxes.

22           Next slide, please.

23           So why has Mello-Roos been so successful?

24           So, first, we needed money for public  
25 infrastructure. So as Mr. Roos mentioned, this was a

1 tool desperately needed by local agencies and  
2 developers, because public infrastructure is very  
3 expensive everywhere in the country, not just in  
4 California.

5           So that was the primary reason in why it's  
6 been successful. But also local agencies have really  
7 jumped on this tool, because they were able to bond  
8 against it and raise a lot of money upfront versus doing  
9 small projects on a pay-go basis.

10           The third reason the developer community was  
11 really behind this policy, and are today, they viewed it  
12 as a public-private partnership, where they get this  
13 very low-cost financing relative to their other capital  
14 sources, and they're able to use this debt as  
15 essentially off-balance sheet financing to help them  
16 with their projects.

17           Next slide, please.

18           The other part that's really key here, and  
19 this was mentioned on one of your prior meetings on the  
20 JPA topic, what's really powerful about this tool is  
21 that we raise money through the municipal bond market,  
22 and it's tax exempt. So the cost of funds is very low.  
23 And that's why we're able to be very competitive with  
24 the cost of funds.

25           Just skipping to the bottom. The other part

1 that has been very successful is that there are really  
2 established processes that provide a lot of disclosure  
3 to homebuyers on what this tax is and what the annual  
4 costs will be. And we'll talk about that a little bit  
5 more throughout the presentation.

6 Next slide, please.

7 So here's the list of what can be financed  
8 through the CFD Mello-Roos Law. This is not an  
9 extensive list. But it's a sample. I won't go through  
10 each one. But it's all the public infrastructure that  
11 you think of for a new housing development or a new  
12 commercial development.

13 You can also pay for services like extra  
14 police and fire through a CFD.

15 I think the thing to point out here is that  
16 all of these services are -- are of public benefit. If  
17 there ever is a private use element to what's financed,  
18 then the bonds that we sell become taxable.

19 So there can be a private benefit to a CFD,  
20 but it does flip the economics on the cost of funds for  
21 this program.

22 Next slide, please.

23 So one of the really benefit of --  
24 beneficial parts of this policy tool is that you have to  
25 have local goals and policies that dictate how a CFD

1 works, and how the special tax is levied. So it  
2 provides really good guidelines for each local agencies.

3           Again, this is a policy that has to be  
4 adopted. It creates the process with developers to be  
5 very streamlined. And it just, you know, it's great to  
6 have, you know, sound policies.

7           Next slide, please.

8           So each CFD has a lot of specific documents  
9 and procedures that have to be followed. We have those  
10 in detail in the appendix.

11           But just going through really broadly here,  
12 there's always a CFD boundary map. There's a document  
13 called the RMA. There's an acquisition agreement. And  
14 then there's that list of authorized facilities and  
15 services.

16           Every project has differences between what's  
17 in these documents. But each CFD has these. And it  
18 helps for the consistency and understanding of this  
19 tool.

20           Next slide, please.

21           So the process here is also very public.  
22 There are a number of meetings that occur when forming a  
23 CFD. So residents are very aware of what's happening.  
24 There's also a vote to form the CFD. And you need a  
25 majority vote, two-thirds of the qualified electors.



1 That's usually not a problem, because the developers are  
2 usually the qualified electors at the time of formation.

3 But that's not always the case. Actually,  
4 in Marin County there's a CFD that's being formed to  
5 preserve open space. And it's going to be voted on up  
6 in this coming election.

7 Next slide, please.

8 So there's all these different steps that we  
9 have to go through to sell bonds. I think the important  
10 part to -- to talk about is the appraisal of the  
11 property that ultimately is viewed as the collateral for  
12 the bonds. It's -- and so the appraisal helps to value  
13 the land that is secured by the bonds.

14 And then it also helps policymakers think  
15 about what that special tax burden is going to be  
16 relative for each home. And that's important from a  
17 policy perspective to not have too high of tax rates on  
18 each home. Usually the market and policymakers like to  
19 have that amount be below two percent.

20 Next slide, please.

21 The security for the bonds, it's relatively  
22 straightforward. That's one of the beauties here. It's  
23 just a special tax that gets put on the property tax  
24 bill. It's collected through the same mechanism as all  
25 other property taxes.

1           There's other funds that help ensure that  
2 debt is paid. But what makes this work from the capital  
3 markets' perspective is there's a foreclosure covenant.

4           And I know it's an awkward thing to talk  
5 about. But if people don't pay their special taxes, the  
6 issuer has to foreclose on the home. That usually does  
7 not happen, because we design workarounds to avoid that.  
8 But just having that in place ensures that these special  
9 taxes get paid.

10           Next slide, please.

11           So there's all these different credit  
12 metrics. I hit on the all-in tax burden. There's also  
13 coverage requirements that's needed when we sell bonds.  
14 And then that value-to-lien that we talked about as well  
15 and in each development is different.

16           So every bond financing is -- is different,  
17 and each project is different. But the special taxes  
18 really help pay for a lot of that important  
19 infrastructure.

20           Next slide, please.

21           And so here's -- to close, just to show you  
22 the robustness of the market. You know, every year  
23 there's about two-to-three billion of issuance here to  
24 help fund new housing projects. It's anywhere from  
25 80 to 120 different types of CFD transactions that come

1 to market.

2                   And, you know, I think what this leaves me  
3 with is that there's a lot of great takeaways on this  
4 tool.

5                   So, first, it's a tool that's primarily used  
6 for new development. It's a lot easier to craft this  
7 type of tax and revenue generation with new development  
8 versus existing development.

9                   All the financing is pretty much done on a  
10 tax exempt basis. That was important for this tool.  
11 Also important for the JPA tool discussed previously.

12                   And then the security for the bonds is  
13 relatively consistent and understandable. And there's a  
14 lot of local agency support and action required to make  
15 sure that this is a great tool for all parties involved  
16 with the process.

17                   So I'm happy to answer questions, more on  
18 the CFD and how it could be a backfill option. But  
19 that's the presentation for today. And happy to answer  
20 any questions.

21                   MS. COHEN: Thank you.

22                   I was wondering if you had any -- did you --  
23 have you looked at tax abatement programs in Seattle,  
24 Washington and New York?

25                   Those are two examples that we heard from

1 about two months ago, examples of abatements being used  
2 to build housing in a very good and positive way.

3 I was wondering if you have any analysis or  
4 any thoughts around that.

5 MR. McKEAN: You know, I'm not aware of the  
6 state of Washington. I did listen to the presentation  
7 on -- on New York.

8 MS. COHEN: Okay.

9 MR. McKEAN: So I'm not sure if I can add  
10 more color beyond that.

11 MS. CHEN: Okay. All right. All right.

12 Just wondering if you had any -- any  
13 insights about CFDs.

14 I got to tell you, I'm a former member of  
15 the San Francisco Board of Supervisors. And it's -- we  
16 talked about the Mello-Roos all the time in terms of  
17 financing a lot of our projects, open -- open park  
18 space.

19 And so it's a real honor to hear your  
20 presentation, and then also to meet in -- in real time,  
21 I should say. In real time. Not in person, but in real  
22 time. The Roos of the Mello-Roos.

23 MR. McKEAN: Thank you.

24 MS. COHEN: Thank you.

25 Let me see if my colleagues have any

1 questions. If not, I have a whole battery. But I  
2 will -- I don't want to hog.

3 Okay. Go ahead, Mr. Vazquez.

4 MR. VAZQUEZ: Thank you.

5 And thank you for your presentation.

6 First, let me just thank the Former Speaker,  
7 Roos.

8 I had the pleasure meeting you back in  
9 Santa Monica many, many years ago when you're actually  
10 an Assembly Speaker.

11 And you, Eric, your boss Ramirez has come to  
12 our town and has done some stuff. Back then they were  
13 doing construction bonds. And now that you're talking  
14 about Mello-Roos, what's the difference between -- you  
15 know, a lot of school districts and cities will float  
16 bonds for construction bonds. How is that different  
17 from the Mello-Roos instruction --

18 MR. McKEAN: Yeah.

19 MR. VAZQUEZ: -- or financing?

20 MR. McKEAN: Yeah.

21 So when a school or city issues bonds for  
22 those types of public facilities, typically they're,  
23 again, voter-approved bonds. But they're general  
24 obligation bonds.

25 And so what happens there is the voters

1 approve additional tax rate on their assessed value to  
2 finance those projects.

3 So that's allowed under Prop. 13, that kind  
4 of voter-approved debt.

5 You know, this is similar to some degree.  
6 It just typically serves a different purpose. With the  
7 CFD, again, it is voter-approved just by the qualified  
8 electors. And it's a special tax. It's not an ad  
9 valorem tax. And so that special tax can be really  
10 defined any way by that local agency.

11 And it's -- but it's a fixed dollar amount.  
12 So it doesn't change over time like a GO Bond tax rate  
13 may change to -- to finance those facilities, or if, you  
14 know, more facilities are needed, a school district or  
15 city will just issue more GO bonds.

16 So that hopefully explains the difference  
17 there.

18 MR. VAZQUEZ: So you're saying the benefit  
19 with using a Mello-Roos is it's locked in. It's a fixed  
20 price versus --

21 MR. McKEAN: Yeah.

22 MR. VAZQUEZ: -- a GO Bond.

23 MR. McKEAN: Yeah. It's locked in.

24 And then the other benefit is it's  
25 specifically tied typically to a development project.

1           So a very, very high profile right now is  
2 one in San Francisco. Like Treasure Island, as an  
3 example. So there's a CFD that's helping to pay for all  
4 the public infrastructure that's just helping to serve  
5 Treasure Island.

6           And so the whole city of San Francisco isn't  
7 paying for that public infrastructure like they would in  
8 a GO Bond, just the special taxes that are being levied  
9 in that specific area of San Francisco.

10           MR. VAZQUEZ: So, for example, I know a lot  
11 of cities throughout the state are looking at some other  
12 municipal airports.

13           Like we -- we're, again, prepared to shut  
14 down ours in Santa Monica. And it's 225 acres. And  
15 it's restricted to recreational uses.

16           And I noticed in your presentation you  
17 talked about Mello-Roos that can be used for parks.  
18 Because otherwise, you know, it's a huge expenditure not  
19 only to build a park, especially of 225 acres, and then  
20 to maintain it.

21           And that's something that you would finance,  
22 is that what you're saying, on a fixed price?

23           MR. McKEAN: You can -- you can use that.  
24 That's one of the eligible facilities under the  
25 Mello-Roos Law.

1 MS. COHEN: All right. You have to forgive  
2 me, but we have a hard stop time right here.

3 You are definitely going to be one of our  
4 experts that we continue to check in with. I think that  
5 you're -- that the -- the Speaker was absolutely right.  
6 You are very knowledgeable, and it's impressive.

7 So thank you for making time to come up  
8 here, and thank you for making the presentation.

9 I'm sorry, colleagues. We don't have time  
10 for other conversation. At this point, we have to bring  
11 in our next group of speakers before we lose them.

12 Thank you, Mr. --

13 MR. McKEAN: Thank you, Madam Chair.

14 Thank you, Board Members.

15 MS. COHEN: Thank you, Mr. Speaker.

16 MR. ROOS: Thank you, Madam Chair.

17 Thank you, Members.

18 MS. COHEN: Ms. Cichetti.

19 MS. CICHETTI: Yes.

20 The next group of speakers are regarding  
21 Education Community Perspective.

22 We have a few speakers, Cheryl Ide,  
23 Legislative Advocate, California School Boards  
24 Association, Katie Hardeman, Legislative Advocate,  
25 California Teachers Association, Megan Baier,



1 Legislative Advocate, Association of California Schools  
2 Administration -- Administrators.

3 And, in addition, there's an  
4 Elizabeth Esquivel.

5 Okay. They've all come forward.

6 Thank you.

7 MS. COHEN: Welcome, ladies. It's good to  
8 see you.

9 Cheryl, how do you pronounce your last name?

10 MS. IDE: Ide.

11 MS. COHEN: Ide.

12 Okay. Ms. Hardeman.

13 Come on, Megan, help me out.

14 MS. BAIR: Baier.

15 MS. COHEN: Baier.

16 MS. ESQUIVEL: And then Elizabeth Esquivel  
17 with the California Association of School Business  
18 Officials.

19 MS. COHEN: Great. Thank you very much for  
20 being here.

21 This is the California Board of  
22 Equalization. You heard our opening remarks. I've seen  
23 you in the back of the room. So you've kind of been  
24 listening to the conversation.

25 So I'm going to start with Ms. Ide. We'll

1 start here, and then we'll go down that way in terms of  
2 presentation.

3 MS. IDE: If I could actually have Katie  
4 start.

5 MS. COHEN: Sure. No problem.

6 We'll start with you, Ms. Hardeman.

7 MS. HARDEMAN: Great. Thank you and good  
8 morning.

9 I first want to thank the Board for  
10 including CTA and, you know, many of the education  
11 partners here in this important conversation today.

12 Just yesterday CTA released a survey of TK  
13 through 12 teachers in California, which found 80  
14 percent of the teachers surveyed found it difficult to  
15 find affordable housing near where they teach.

16 So we're with you. We agree. You know,  
17 affordable housing is a significant problem for, not  
18 only our members, but the families and the communities  
19 that they serve.

20 And we want to find solutions for our  
21 state's housing shortage. However, we have concerns  
22 with reducing property tax revenues, including  
23 abatements or deductions, as this would reduce the  
24 Proposition 98 minimum guarantee for our schools and  
25 community colleges.

1           And I believe Cheryl's going to get into  
2 some of the mechanics around how that works.

3           We do appreciate the intent to backfill  
4 these lost revenues. However, a backfill would not be  
5 guaranteed, and would put schools at the mercy of  
6 fluctuations in general fund revenues or the revenue  
7 source.

8           Historically, the state has often  
9 disproportionately reduced funding for schools to close  
10 the state's budget deficit, including suspending the  
11 Proposition 98 minimum guarantee. So that's sort of the  
12 historical context that we have to work with.

13           And then, additionally, while education  
14 funding has recently increased the past couple years,  
15 California's education system has been underfunded for  
16 decades, and consistently ranks near the bottom in  
17 per-pupils, per-student funding among the states.

18           For comparison, quickly, you know, New York,  
19 which is one of the states that you mentioned and  
20 highlighted the use of property tax abatements there,  
21 New York is ranked second in the nation in per-student  
22 funding, and actually dedicates more than \$12,000 per  
23 student more than we do here in California.

24           MS. COHEN: I'm sorry. 12,000 --

25           MS. HARDEMAN: Per student more.

1 MS. COHEN: More.

2 So what's the total figure that they --

3 MS. HARDEMAN: So the numbers --

4 MS. IDE: It's like 25. It's like 25, 26.

5 MS. HARDEMAN: Yeah. The numbers are from,

6 you know, a couple years old. But \$25,000 per student.

7 MS. COHEN: Thank you. Okay.

8 MS. HARDEMAN: Of course, they also don't

9 have Prop. 13. So there's that.

10 In summary, we urge the Board to consider

11 other solutions that do not harm our schools or

12 destabilize education funding.

13 We've submitted a coalition letter with

14 members of, you know, the education community. I have

15 copies if you need one.

16 And happy to answer any questions.

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

18 We did get the letter.

19 Oh, yeah. That's right. We do have -- yes.

20 I'm sorry. I got excited.

21 Yes. Thank you for your presentation.

22 Who would like to speak next?

23 MS. IDE: I can go on.

24 MS. COHEN: Okay.

25 MS. IDE: I'll get a little bit more of the

1 technical details.

2 MS. COHEN: Okay.

3 MS. IDE: Good morning, Chair and Members.

4 Cheryl Ide on behalf of the California  
5 School Boards Association.

6 And I want to say a big thank you for the  
7 opportunity to provide some feedback from schools and  
8 the perspective. And specifically how property tax  
9 abatements impact our overall funding.

10 So the proposition minimum guarantee --  
11 Proposition 98 minimum guarantee is currently in a test  
12 one. That's how we fund education in here. And it  
13 distributes about 38 percent of the state's general fund  
14 throughout -- for all schools.

15 We also have the local control funding  
16 formula that takes that funding, and then distributes on  
17 an equitable base, recognizing that each students have  
18 different needs based on where they are. If they are  
19 low income, if they are Foster youth, if they are an  
20 English learner, recognizing the challenges there, as  
21 well as special education.

22 In a test one year, property taxes have a  
23 dollar-for-dollar impact. So every dollar lost is a  
24 dollar less in the classroom. Which is why we're very  
25 sensitive to that. And both the LAO, and our colleague

1 formerly who spoke, and the Department of Finance have  
2 said that we are in a test one for the foreseeable  
3 future as far as they forecast out. So we're in a very  
4 sensitive condition in that case.

5           Property taxes account for about 25 percent  
6 of our total funding in education. So it's a, you know,  
7 it's a big piece for us. And our funding is quite  
8 vulnerable, as we know, to all of the fluctuations that  
9 we see in general fund. While property taxes tend to be  
10 the most stable one.

11           So we are very, very sensitive to any kind  
12 of imbalances there. And we want to make sure that we  
13 have that consistent source of predictability when we  
14 look to being able to educate our children.

15           And so while we appreciate the Board's focus  
16 on the efforts to include a backfill for revenue lost  
17 due to the abatements, because that's, you know, a  
18 really big deal to us. Historically, we really just  
19 don't have a precedent. We've never seen any kind of  
20 backfill seen for any kind of tax expenditures,  
21 including any kind of abatements, or anything looked at  
22 that.

23           And so when we see that the forecasts are  
24 that we are in the billions of less in revenue, just  
25 from Budget Act back in June, we have a lot of concerns

1 about that continuing to be something that we could look  
2 forward to and count on as a sustainable source of  
3 revenue for us.

4           And then as previously stated by my  
5 colleague from CTA, we recognize that this is supposed  
6 to address the missing middle, which that includes our  
7 teachers, our staff, and our students. We want to  
8 ensure that. Because development without 100 percent  
9 security of that backfill isn't going to support the new  
10 families it's going to bring in. And so it's going to  
11 put more pressure on our students, not just for today,  
12 but for tomorrow, as these communities are built.

13           So we believe that there are other targeted  
14 programs that you could look to. Many of them were  
15 mentioned by the LAO. We have some that are  
16 specifically targeted through CalHFA for teachers, for  
17 classified staff members to be able to access housing.

18           And so, you know, more funds to be available  
19 to different programs that we know that we have that are  
20 existing, are things that we know don't affect our  
21 bottom line in our budgets.

22           And that's what we -- that's what we would  
23 recommend as something to look to.

24           MS. COHEN: Appreciate that. Thank you.

25           Ms. Baier.

MS. BAIER: Thank you.

Megan Baier with the Association of California School Administrators.

We represent about 18,000 members statewide, superintendents, principals. A pretty diverse subset of school leaders. And we really appreciate the attention to this issue.

We are literally losing teachers and staff every day because they cannot afford the price of housing. And despite a really good budget last year and good -- the ability of many districts to give raises across the board, it's not enough to combat the incredibly high cost of housing in most of the state. So it's a very important issue, and we very much appreciate the attention.

I just want to echo the sentiments of my colleagues, however. We, in general, have concerns with tax abatement, tax credits, because of the impact to Prop 98. This is because the way we've designed to fund our education system, frankly.

So, you know, we appreciate the attention. And we would just urge consideration of other strategies to combat and tackle this really important issue.

MS. COHEN: Okay.

MS. BAIER: Thank you.



1 MS. ESQUIVEL: I'll be very quick. And in  
2 case you all have any questions.

3 But, again, Elizabeth Esquivel with the  
4 California Association of School Business Officials,  
5 representing 24,000 members throughout the entire state,  
6 mainly chief business officials and directors from  
7 13 different disciplines.

8 So our focus is really making sure that we  
9 have sustainability within our funding so that we can  
10 continue to serve our students and our schools.

11 So we really do appreciate the need to find  
12 further funding for housing. But, again, continue to  
13 express those concerns about putting schools at the  
14 mercy of fluctuations and general fund revenue. So for  
15 us, it's really just a funding stability that we want to  
16 continue to maintain.

17 Thank you.

18 MS. COHEN: Thank you very much.

19 Both Ms. Baier and Ms. Hardeman, you both  
20 alluded to encouraging us to look at other solutions. I  
21 was curious if you had any solutions that you could --  
22 would -- you would like us to consider.

23 MS. HARDEMAN: I'm not a housing expert.  
24 But I think, you know, given the intent to sort of  
25 backfill, right, using general fund, we would encourage

1 instead to just look at using general fund or whatever  
2 revenue source --

3 MS. COHEN: On the front end.

4 MS. HARDEMAN: -- to provide, you know,  
5 targeted grant programs. So that's really targeted to  
6 the -- the audience that we're looking at.

7 MS. COHEN: Okay. Okay.

8 I see you, Mr. Vazquez.

9 MS. BAIER: And I would just second that.  
10 We would just prefer to see it on the front  
11 end. So then if there is a dip in revenues, we don't  
12 get left holding the bag when the backfill can't come in  
13 because revenues drop.

14 MS. COHEN: Yeah.

15 I wanted to know -- to certainly be on the  
16 record. I appreciate your -- the concerns that you're  
17 raising.

18 And this -- I don't know if you heard my  
19 opening remarks. We're not -- we're exploring. We're  
20 not -- we -- we don't have preconceived notions. We  
21 don't have commitments. We don't have an idea on the  
22 direction that we want to go in. This is a genuine  
23 heartfelt process of just exploration.

24 You heard from one of the previous speakers.  
25 I don't believe the state of California has moved in

1 this direction before. And perhaps this is probably one  
2 of the -- this could be a reason why. So we're just  
3 exploring all of our options and seeing what's out  
4 there. So I just wanted to assure you of that.

5 Mr. Vazquez.

6 MR. VAZQUEZ: Yes. Thank you for your  
7 presentations.

8 And as a former teacher, I'm very sensitive  
9 to the, not only the needs that you have coming forward  
10 in the future with education, but just salaries.

11 You know, when I was teaching, it was  
12 ridiculous with what they were paying teachers. Not  
13 that it's much better now.

14 But I was wondering on the housing front, do  
15 you have -- I guess it may be more of a question from  
16 the CTA, looking at the state level of the districts,  
17 and maybe you folks on the other side with the  
18 administrators.

19 Is there -- do you know of any kind of an  
20 inventory -- I asked the Superintendent, and he wasn't  
21 aware of one -- that would give us what vacant lots in  
22 districts have sitting, idling throughout the state of  
23 California that possibly could be used for workforce  
24 housing?

25 MS. HARDEMAN: Right.

1                   MR. VAZQUEZ:   Because that wouldn't impact  
2 taxes, and it wouldn't take anything away from your  
3 budget.

4                   MS. HARDEMAN:   Right.

5                   I -- I don't have an inventory.  I -- I can  
6 check around.  But I don't think we track that.

7                   MS. IDE:   We don't have a statewide  
8 inventory.  I know that there are districts that have  
9 floated ideas like that.  But I haven't heard of any of  
10 them coming to fruition.

11                   MS. HARDEMAN:   And there have been, you  
12 know, ideas in the Legislature around incentivizing  
13 districts to develop housing on, you know, vacant lots  
14 in district-owned lands.

15                   I think some of the heartburn that we have  
16 is, you know, our school districts then becoming  
17 landlords, and all of those issues that play into that.  
18 So they're -- it's a complex issue for sure.

19                   MS. IDE:   Yeah.

20                   There's -- there's other things too.  If  
21 you -- if I can chime in a little bit.

22                   Some of the conditions in which you have for  
23 building, as far as low income housing, they may be so  
24 low because they're at the federal level.  They don't  
25 necessarily encompass those salaries that we have at

1 district levels. You mentioned that they're low  
2 salaries, but they're not low enough considering the  
3 federal level.

4 So when you combine those types of tax  
5 credits at those thresholds, it actually eliminates most  
6 school staff to be able to access the housing that they  
7 were to build on their vacant lots and surplus property.

8 MR. VAZQUEZ: Well, at some point it'd be  
9 good to -- well, the superintendent sounds like he's  
10 willing to work with us.

11 And maybe they need to work with you folks,  
12 especially CTA, that has access to all these districts.  
13 Because it sounds like it's more of a district-wide  
14 thing that we could do, at least to have them look at  
15 inventory, not only of vacant lots, but maybe  
16 underutilized lots that they have.

17 Because I know LAUSD had this big boom.  
18 They were building so many schools. And I think a lot  
19 of them are very underutilized now, the schools.  
20 Because enrollment has jumped -- hasn't taken off to the  
21 projections that they thought.

22 MS. HARDEMAN: Yep.

23 MR. VAZQUEZ: Okay.

24 MS. COHEN: Any questions down here?

25 Yes, please.

1 MR. GAINES: Yeah.

2 Thank you very much for your presentations.

3 I appreciate it.

4 And we had Brian Uhler here from the LAO.

5 And he did have the suggestion of the state making tax

6 payments upfront.

7 Would that avoid the Prop 98 issue that you

8 rose -- or you raised earlier?

9 MS. HARDEMAN: I don't believe so. But I'd

10 have to -- to check on how the mechanics would work

11 there.

12 But, again, I think we would still have

13 concerns around the volatility of general fund to make

14 those payments, right? Instead of, you know, just being

15 straight property tax.

16 MR. GAINES: Okay. And I'm just wondering

17 if these -- you're representing numerous organizations,

18 but in terms of CEQA reform, would you be willing to sit

19 at the table in terms of taking a look at that and

20 figuring out a pathway?

21 Because that would -- that, in and of

22 itself, is another avenue in terms of reducing

23 construction costs in California.

24 MS. IDE: There's -- actually a trailer bill

25 included a piece of CEQA reform as far as school's

1 ability to institute impact mitigation.

2 In this most recent trailer bill, AB 185,  
3 specifically that created additional steps for us to  
4 take place in order to mitigate, to use CEQA mitigation  
5 as part of our process. It makes it more difficult for  
6 us. Just to -- I would note that.

7 CEQA mitigation is something that, you know,  
8 can be used. Because if we don't have the facilities to  
9 be able to house the children that the development  
10 brings in, it makes it more difficult for us to utilize  
11 that.

12 So I would add that -- that it's something  
13 that we have -- we've already kind of touched that line.  
14 And so we're pretty sensitive to it right now.

15 MR. GAINES: Yeah.

16 Are you -- so are you -- are you saying that  
17 you're suffering some -- some of the same challenges  
18 that homebuilders are --

19 MS. IDE: No.

20 MR. GAINES: -- from the CEQA standpoint?

21 MS. IDE: So because districts are, you  
22 know, local, you know, local districts are, you know,  
23 effectively local governments in a way, we actually have  
24 the ability to use CEQA when there's development that  
25 doesn't -- and there's not enough funding to be able to

1 support the construction of schools to be able to pay  
2 for it.

3 MR. GAINES: Okay.

4 MS. IDE: So it is one of one of the tools  
5 in our toolkit to ensure that schools are built.

6 But when the state doesn't have enough  
7 revenue to be able to support the construction of  
8 schools and the bond authority is used up, it is  
9 something that we can use to say, hey, the development  
10 has to -- you know, we have to really watch this.

11 We have to make sure that we get funding so  
12 that we can build the schools to be able to support the  
13 kids that come in.

14 MR. GAINES: Okay.

15 MS. IDE: So I just -- I mentioned that, and  
16 that like -- it is something -- that kind of reform is  
17 something that we have already just recently touched,  
18 and we're very sensitive of it.

19 MR. GAINES: Okay. All right. Very well.

20 Thank you.

21 MS. COHEN: Is there any --

22 Yes.

23 MS. ESQUIVEL: I just wanted to quickly add  
24 to Mr. Gaines' comment about just declining population  
25 in the state.



1           We're seeing the same trend with schools and  
2 school districts. And so whether we be -- we're  
3 currently funded on the ADA, the Average Daily  
4 Attendance. There's conversations about being funded on  
5 enrollment. But despite being funded through ADA or  
6 enrollment, we're still seeing the trend of declining  
7 enrollment. Which is, again, how we are being funded.

8           So this brings back that -- that  
9 cautiousness of the uncertainty when it comes to the  
10 stability of how we're funded, and the funds that we  
11 receive.

12           MR. GAINES: I appreciate that. Thank you.

13           MS. COHEN: Thank you very much.

14           Unfortunately, we are out of time. But I  
15 just wanted to, again, reaffirm that we heard you, and  
16 we are -- we'll take your feedback under -- under  
17 serious advisement.

18           I'm a public school kid, so, like  
19 Mr. Gaines, really sensitive to the concerns that you  
20 all raised today.

21           Thank you.

22           MS. HARDEMAN: Thank you.

23           MS. IDE: Thank you.

24           MR. VAZQUEZ: You looked at me and you said  
25 Mr. Gaines.

1 MS. COHEN: Oh, I'm sorry.  
2 That's Mr. Gaines, but this is Mr. Vazquez.  
3 Yes, I did. Thank you.  
4 All right. Thank you.  
5 Okay. Ms. Cichetti.  
6 MS. CICHETTI: Yes.  
7 The next group of speakers to present are  
8 from the city and county government perspective.  
9 The speakers are Mark Neuberger, Legislative  
10 Advocate, California State Association of Counties;  
11 Geoffrey Neill, Legislative Advocate, California State  
12 Association of Counties, and Nicolas Romo, Legislative  
13 Affairs, Lobbyist, Revenues and Taxation, League of  
14 California Cities.  
15 MS. COHEN: Fantastic.  
16 We had a panel of ladies, now you have a  
17 panel of men. I love this. This is pretty -- this is  
18 pretty interesting.  
19 So, gentlemen, thank you for being here. I  
20 saw you in the back of the chamber. You've seen and  
21 heard a lot of the conversation over the last two hours.  
22 Now I'm looking forward to hearing your comments.  
23 Mr. Neuberger, I have you on my agenda to go  
24 first. Is that okay, or do you want to --  
25 MR. NEUBERGER: Actually, I'll have Jeff go

1 first.

2 MS. COHEN: All right. There it is.

3 Mr. Neill, the floor is yours.

4 MR. NEILL: Thank you.

5 And always good to see a couple of county --  
6 former county supervisors in state office.

7 I want to start with a response to  
8 Mr. Uhler's comments earlier where he -- he felt  
9 uncomfortable or uneasy, I think he said, speaking for  
10 local agencies, that we would be uncomfortable with  
11 reimbursement, the property tax. And he was spot on.

12 I think that is, as with the education panel  
13 just before us, that that would make us uneasy for  
14 exactly the reasons that they noted.

15 You know, the Legislature cannot bind a  
16 future Legislature. So the -- the reimbursement is  
17 certainly good in the year that it's first appropriated.  
18 And then after that, it's always up to the -- up to  
19 the -- the whims, I guess, of the -- of the future  
20 legislators the next year, or five years down the line,  
21 whenever it is.

22 There are a number of -- so the upfront  
23 funding holds, I think, a lot more promise if all of the  
24 funding is provided at once upfront. If it's over a  
25 five-year period, I think you run into, you know, the

1 same issue again. There's some way of locking that in.  
2 It would -- it would create some more -- some more  
3 certainty.

4           You know, there are -- and so that upfront  
5 payment on behalf of the developer could work that --  
6 that Mr. Uhler was -- was mentioning. That there are  
7 still issues around it. You know, if there's a  
8 liability for nonpayment, if it is, you know, not, for  
9 example, constitutionally required or required by the  
10 terms of a bond or some other more secure device like  
11 that.

12           The other models that we've heard about or  
13 that we've -- that we've considered all have, you know,  
14 different reasons for concern, whether that's for a  
15 reduction in revenue. Sometimes it's just a cash flow  
16 issue, you know, you get the money later, but you have  
17 to give it up for now.

18           A lot of local agencies have, you know,  
19 or -- or have cash flow needs that are -- that are  
20 already barely being met. Or sometimes workload issues,  
21 because the property tax is the only tax -- the only  
22 major tax in California, anyway, that is administered  
23 entirely at the local level. The state isn't involved  
24 at any point in the process. Any changes to the way the  
25 property tax is done does, in terms of collecting, you

1 know, assessing, collecting and distributing the money,  
2 of course the -- the utilities and railroads accepted,  
3 since that's the BOE.

4           So the Mello-Roos -- the Mello-Roos idea,  
5 you know, that was mentioned earlier is -- is  
6 interesting in this context, I just want to address it  
7 because the previous speaker did or the -- just prior to  
8 the education panel.

9           Because in the case of developments, you  
10 know, that delaying the tax, you know, have it paying  
11 the bond, and then having it be paid off over a number  
12 of years, it makes it easier for the developer. Because  
13 the developer doesn't have to bear that cost. It is  
14 then borne by the people who purchased the homes that  
15 are built with all that infrastructure that the  
16 Mello-Roos bond paid for.

17           My understanding was that in this case,  
18 the -- the units would be rented out instead of sold.  
19 So presumably be the same owner. So they would --  
20 sounds like they would just be deferring their own tax  
21 liability to a later date. And so I'm curious if that  
22 affects the -- the usefulness of the model for this  
23 purpose.

24           My last comment is just the -- the, you  
25 know, to the point of -- of, you know, having local

1 agencies decide to -- whether to implement this in their  
2 communities. That it's just to point -- point out that  
3 the property tax growth, especially over the last 10 or  
4 15 years, has been very uneven in this state. And many  
5 counties, most counties, in fact, have less revenue per  
6 capita, property tax revenue per capita than they did  
7 before the Great Recession, now over a decade ago, in  
8 real dollars.

9                   And so those are the sorts of things that  
10 can be taken into account when the decisions are made  
11 locally, but are harder when it's the state making it on  
12 behalf of the local community.

13                   MR. NEUBERGER: All right.

14                   Thank you, Geoff.

15                   Thank you. Well, I want to thank the Board  
16 for the invitation.

17                   I'm Mark Neuberger with the California State  
18 Association of Counties.

19                   I'm the Legislative Representative for  
20 housing land use and transportation issues.

21                   Counties definitely recognize the state's  
22 housing supply challenges and understand the need to  
23 take steps to address that, which the proposed tax  
24 abatement policy would do.

25                   But in regards to the specific proposal from

1 a housing and land use perspective, we would recommend  
2 any proposal retain local control aspects, and not be a  
3 buy-right program.

4           And, essentially, from coming from the  
5 perspective that this would allow counties to ensure  
6 that housing development seeking this kind of tax  
7 abatement, that they would align with county plans and  
8 assist counties in meeting their -- their require -- or  
9 their portion of the Housing Community Development  
10 Regional Housing Needs Allocation that their counties  
11 are responsible for ensuring gets built in the future.

12           A major part of the county control  
13 perspective is to allow to support county efforts to  
14 incentivize housing development projects that might be  
15 eligible for any sort of tax abatement to make sure that  
16 they address the -- the low and the middle-income  
17 housing supply that's missing from the state's housing  
18 supply, and continues to be a challenge for the state to  
19 meet.

20           That's, you know, the main kind of a goal  
21 that we -- that counties are interested in ensuring that  
22 they can do to meet the state's housing needs.

23           And I'll pass it along to Mr. Romo.

24           MS. COHEN: All right. Thank you.

25           MR. ROMO: Hi, there.

1 MS. COHEN: Hi, Mr. Romo.

2 MR. ROMO: This is Nick Romo with the League  
3 of California Cities.

4 Thank you, Chair, for the invitation.

5 Since -- I sound like a broken record. But  
6 since 2011, the dissolution of redevelopment, cities are  
7 really being proactive to try to rebuild that tool with  
8 some intention to bring back the ability to build  
9 affordable housing, economic development, and economic  
10 development projects.

11 One of the things that was done when we  
12 recreated -- and we've been using the Mello-Roos bonds.  
13 But we recreated, Enhanced Infrastructure Financing  
14 Districts, Community Reinvestment Act, district. It's a  
15 whole alphabet soup of available tools.

16 One of the things that was done was to  
17 protect, in all those tools, the school share property  
18 tax is exempt from the property tax increment. So the  
19 schools are protected locally.

20 One of the things that you've been asking --  
21 and that does diminish the power of those tools. But  
22 one of the things we've been doing, and I think we could  
23 work with the Board here, and a lot of state leaders, is  
24 to -- we've been asking for years for the state to  
25 invest, you know, \$500 million a year at least to help



1 cities and counties build up the Tax Increment Financing  
2 districts, or to support the Mello-Roos bond process.  
3 The state will be involved in deciding kind of what  
4 types of projects are invested in. Which in this case  
5 could be affordable housing projects across different  
6 AMIs.

7                   So we're really -- we think that we could be  
8 proactive in this space. We can protect some of the  
9 schools' property tax issues. We can let local  
10 governments decide how much to invest, while protecting  
11 local property taxes, to -- to the degree that they know  
12 best to do. While the state can also be involved as a  
13 partner with local governments to invest in the types of  
14 projects it wants to see. The types of projects I  
15 believe this working group wants to see, you know,  
16 missing-middle projects.

17                   And in this way, it does achieve, in some  
18 ways, what all the previous speakers have said. You  
19 know, talking about how to invest and multiply the  
20 amount of money that we need. We all know we need a  
21 significant amount of money. And that could be a huge  
22 hit to the state budget.

23                   But if money from the state budget is used  
24 to multiply local investments, I think then we're really  
25 tapping into lots of funds for these sorts of projects.

1           So League of Cities last year and the year  
2 prior has been asking for significant state, you know,  
3 ongoing significant state budgeting investments. It  
4 could be year, over a year, as the state looks at its  
5 budget condition. But to help us really build out what  
6 the post-redevelopment world looks like.

7           Cities are ready to do this. We have dozens  
8 of EIFDs, we call them, Enhanced Infrastructure  
9 Financing Districts. We have dozens of those in the  
10 works.

11           We have two of them just in our own backyard  
12 here. The city of West Sac and city of Sacramento have  
13 been working on these tools. But they lack the state  
14 investments that are needed.

15           And I think, in this way, we can help  
16 protect what we need to protect, and invest in what we  
17 want to invest in.

18           So, in that way, I think we share the cost  
19 as a whole, cost of our communities to the housing that  
20 we need to build.

21           So I'm really excited, and Cal Cities is  
22 really excited to partner with all of you to try to get  
23 those investments, have them be intentional, and direct  
24 those to the type of housing we'd like to see built.

25           MS. COHEN: Okay. What type of housing

1 would you like to see built?

2 MR. ROMO: Well, we need housing of all  
3 kinds. We know that. But we do see that the missing  
4 middle is a key portion, right?

5 But, you know, we know that the hardest nut  
6 to crack is sort of really affordable housing. But I  
7 think it's all of the above. That's Cal Cities'  
8 position. It's all-of-the-above housing.

9 And so if this is a tool we'd like to use, I  
10 think certainly we can work on directing some of those  
11 funds to tackle these types of projects and help -- help  
12 the development of these projects.

13 MS. COHEN: Thank you.

14 Let me see.

15 Mr. Gaines, do you have a question?

16 Mr. Schaefer?

17 Okay.

18 MR. GAINES: I do. Yeah, if I could.

19 MS. COHEN: Go ahead.

20 MR. GAINES: Yeah. Thank you.

21 My question is of Geoffrey Neill.

22 And thank you for your presentation.

23 And I'm just trying to get it a handle on  
24 the -- the per capita revenue as it relates to property  
25 tax. Because it's my understanding with Prop 8 you have

1 the ability to reduce value, right? We went into the  
2 Great Recession. But the county also has the ability to  
3 increase that tax as those values come back. And so I  
4 was of the understanding that we had -- we had gained  
5 back all those losses in value, and maybe even exceeded  
6 it.

7 But you're -- you're telling me something  
8 different. And I just -- can you give me more -- a  
9 little bit more information so I understand that better?

10 MR. NEILL: Sure. I'd be happy to.

11 A couple of things. One is that in -- in  
12 several counties, they've had very healthy property tax  
13 increases to that point.

14 When you look at the number of counties, as  
15 you know, for example, in the area of the state that  
16 you're from, the counties are small. There's not as  
17 many -- there's a lot of counties in -- in less  
18 populated areas. That's part of it.

19 And part of it is that we're looking at it  
20 in, you know, as population grows, and as inflation  
21 increases, you know, those are cost pressure. We're  
22 really looking at the amount of services that you can  
23 buy with the amount of property tax. So the -- in -- in  
24 plain dollar amounts, if you just look at it, I think,  
25 essentially, every county is recovered.

1                   But the other piece of it is the number of  
2 things happened in the Great Recession that weren't just  
3 Prop 8 reductions. For the properties that changed  
4 hands, for example, in the areas where there are a lot  
5 of foreclosures, Prop 13 locks in the assessed value at  
6 the, you know, in those cases, foreclosure prices.

7                   MR. GAINES: Okay.

8                   MR. NEILL: So you have a home, for example,  
9 or another building that could be worth several hundred  
10 thousand dollars, but it was bought in foreclosure for  
11 30 or 40 or 50 or \$80,000. As long as it doesn't change  
12 hands, for example, if it was bought by an investor,  
13 that's then holding onto it, that -- because Prop 13, it  
14 locks in that value.

15                  MR. GAINES: Sure.

16                  MR. NEILL: So there were a number of things  
17 that -- that occurred. But part of it is the increase  
18 in population. Part of it's the effect of -- of  
19 inflation. Not -- not currently, but --

20                  MR. GAINES: Yes. Okay.

21                  So per capita, that would decline even if  
22 the revenue was the same.

23                  MR. NEILL: Yes.

24                  MR. GAINES: And would decline with more  
25 people.

1                   MR. NEILL: So what we're looking at with  
2 that analysis is the amount of services that you could  
3 provide --

4                   MR. GAINES: Yes.

5                   MR. NEILL: -- to people in the community.

6                   MR. GAINES: Right.

7                   And if you're buying a home at a, let's say  
8 it was half price because of the Great Recession, and  
9 you bought that home, then you would lock that value in.  
10 Which is good -- great for the homeowner, right, because  
11 that value only goes up one percent a year.

12                   But it hurts you from a government  
13 perspective in terms of revenue coming in and providing  
14 services.

15                   MR. NEILL: And I think the last piece of it  
16 is really just the -- the recovery, the early years of  
17 the recovery in particular were very localized.

18                   MR. GAINES: Okay.

19                   MR. NEILL: They weren't broad-based.

20                   MR. GAINES: Okay.

21                   MR. NEILL: So I think that's another --

22                   MR. GAINES: That's very helpful. Thank  
23 you. Appreciate it.

24                   MS. COHEN: Unfortunately, we are out of  
25 time.

1 Mr. Neuberger, you don't get a question.

2 MR. NEUBERGER: That's fine.

3 MS. COHEN: But I hope that you will remain  
4 available to us if we reach out to you for more -- for  
5 clarification.

6 Thank you, gentlemen, for making this a  
7 priority and joining us today.

8 MR. NEUBERGER: Thank you.

9 MR. NEILL: Thank you.

10 MS. COHEN: You're welcome.

11 Ms. Cichetti.

12 MS. CICHETTI: The last group of speakers on  
13 this topic to present are from the Labor Perspective.

14 We have Jeremy Smith, Deputy Legislative  
15 Director, State Building and Construction Trade Council.

16 MS. COHEN: All right.

17 How you doing, Mr Smith? It's good to see  
18 you.

19 MR. SMITH: I'm well. Thank you.

20 President Meredith sends his regrets. He's  
21 actually chairing a Executive Board Meeting of the State  
22 Building Trades Council as we speak, previously  
23 scheduled.

24 MS. COHEN: Not a problem. Understood.

25 MR. SMITH: You are stuck with me today.

1 Appreciate the time.

2 MS. COHEN: We receive you well --

3 MR. SMITH: Thank you.

4 MS. COHEN: -- open arms.

5 So why don't we go ahead and jump right in.

6 Let's hear your presentation.

7 MR. SMITH: I'm ready to go.

8 MS. COHEN: Thank you.

9 MR. SMITH: We appreciate the opportunity to  
10 be invited to speak on the policy proposal of property  
11 tax abatements to spur the development of affordable  
12 housing.

13 As I said, my name is Jeremy Smith. I'm the  
14 Deputy Legislative Director of the State Building and  
15 Construction Trade Council.

16 We're the umbrella organization of  
17 construction trade unions in California and represent  
18 over 450,000 construction workers along with over 70,000  
19 apprentices.

20 Three-quarters of our apprentices are people  
21 of color. One in five come from Foster Care, are  
22 emancipated youth, or come from the criminal justice  
23 system. And we advocate for them as part of the labor  
24 movement for their wages, benefits, health and safety.  
25 And of all the women in apprenticeship in California,



1 the majority are in joint labor management programs,  
2 programs jointly managed by our contractor partners, the  
3 programs of the billion trades.

4 Our members and their working families  
5 across the economic spectrum are increasingly spending  
6 more of their income on housing costs.

7 We are the labor movement, the construction  
8 labor movement. We tend to make higher salaries, better  
9 wages than other parts of the economy. And even our  
10 members are struggling in certain parts of the state.  
11 They feel this as acutely as anyone else.

12 Even for many of our members, it's  
13 impossible to afford fair market rent for a two-bedroom  
14 apartment, let alone -- let alone entertain the dream of  
15 owning their own home.

16 We want to be part of a solution to that.  
17 But we cannot address one crisis by causing another.  
18 And we cannot allow the solution to be the cause of  
19 exploitation of residential construction workers.

20 Let me start with the availability of a  
21 work -- of a workforce. Many previous speakers from  
22 your July hearing have lamented the, quote, "lack of  
23 available workers," unquote. We heard from speakers  
24 who, quote, "believe," unquote, there are not enough  
25 construction workers to meet the demand, and who have

1 heard that it's hard to find construction workers who  
2 claim also that there are not enough training  
3 opportunities for women, people of color, or veterans.

4 We heard that the state needs to do outreach  
5 to attract more second-chance workers. Not one person  
6 stated how many workers the industry actually needed.  
7 They just know, quote/unquote, that there aren't enough.

8 We cannot disagree more. We would instead  
9 say that there aren't enough workers willing to work for  
10 low wages. And that it is most likely the cause of the  
11 shortage the developers complain about.

12 The Building Trades, in partnership with our  
13 contractors, provide opportunities to workers from all  
14 walks of life. As I mentioned, they are jointly  
15 administered state-approved apprenticeship programs.

16 They train -- we train veterans through the  
17 Helmets to Hardhats program, provide pre-apprenticeship  
18 training through the Multi-Craft Core Curriculum. And,  
19 as I mentioned, train the largest number of women in  
20 minorities in the California state-approved  
21 apprenticeship system.

22 And we provide that training at almost no  
23 cost, in many cases free to anyone who wants it.

24 We believe the available workforce exists,  
25 if housing developers could see past the business model

1 that results in the exploitation of construction  
2 workers.

3           Instead, we heard in previous meetings of  
4 this body on this issue without proof that there aren't  
5 enough workers. And that one way to provide more  
6 workers is to reform the immigration system.

7           To us, that means finding workers who are in  
8 a position to be exploited and to do heavy construction  
9 work, real construction work, for the low wages in the  
10 underground economy.

11           We heard that we need to open up the  
12 workforce to more ergonomically easier work by  
13 incentivizing factory and modular construction, an  
14 industry that exists to make a profit by taking jobs  
15 away from construction workers.

16           We heard about all kinds of different ways  
17 to not use the ready and available workforce that  
18 already exists, apprentices and journeymen and  
19 journey-women who are graduates of state-approved  
20 apprenticeship programs.

21           We believe the profit motive, the obsession  
22 to make money, providing desperately needed housing that  
23 we all agree is needed is the real problem.

24           And I'll reiterate again, we represent  
25 450,000 construction workers. We represent 70,000

1 apprentices in the state-approved apprenticeship system.  
2 Which is a number that we think is more than willing and  
3 able to meet the demand.

4           Listening back to your previous hearings  
5 earlier this summer, I was struck by how many speakers  
6 were here who have a vested interest in the system, who  
7 make money off the system.

8           We agree with some of them that reforms are  
9 needed to the housing finance system, and that the  
10 dissolution of RDAs has severely hampered the ability to  
11 build. However, whether it was developers, builders  
12 advocates for affordable housing, we heard over and over  
13 about the need for more money from the state, more  
14 streamlining, and more help with permitting, despite the  
15 fact that there have been several bills and regulatory  
16 changes in the last decade that provide all of that.

17           Yet, here we -- here we all are, still  
18 debating this issue, all in the name of making profit  
19 off the system and unfortunately off the backs of a  
20 low-wage largely immigrant-driven workforce, willing to  
21 work on job sites in the underground economy for low  
22 wages, where robust labor health and safety laws are  
23 ignored.

24           Unfortunately, as we've seen residential  
25 construction, other industries, such as warehouse work,

1 farm work, and the economy, exploitation of workers are  
2 still rampant. We know this is happening. We organize  
3 workers who tell us that they were paid under the table,  
4 often in cash, with no benefits or protections under the  
5 law on residential job sites.

6 We hear stories of workers who felt they had  
7 no ability to speak for themselves or their co-workers  
8 because they feared retaliation.

9 What some of the previous speakers want are  
10 workers that can -- they can pay substantive wages to,  
11 who are not empowered by their legal rights, and will  
12 not dare complain about safety on the job or incorrect  
13 pay stubs.

14 Some of the very workers who spoke in recent  
15 panels represent some of these -- some of those  
16 developers who exploit workers.

17 Not all developers are bad. I'm not  
18 painting a broad brush here. However, many of those  
19 groups oppose every single bill that has proposed or  
20 amend -- amended at the Legislature that deals with  
21 housing streamlining, that also require the use of a  
22 skilled and trained workforce, amendments to legislation  
23 we always insist on.

24 This requirement to use a skilled and  
25 trained workforce means that a percentage of the workers

1 on the job site are graduates of state-approved  
2 apprenticeship programs. And there are nonunion and  
3 union state-approved apprenticeship programs. This is  
4 not a union/nonunion battle thing here.

5           What might be most important about the  
6 skilled and trained workforce requirements is that it  
7 just doesn't mean -- it doesn't just mean that workers  
8 are experts in their craft. It means they know their  
9 value as a worker. They know when they are -- when they  
10 or their colleagues are being taken advantage of, and  
11 they are empowered to blow the whistle.

12           They know their worth as a worker. And that  
13 is exactly why some developers don't want them on job  
14 sites. The labor movement exists to thwart bad actors  
15 in the employment space who have used and will use any  
16 sliver of daylight and statute to not treat blue-collar  
17 workers legally and with respect.

18           A favorite bus phrase from the developer  
19 community is that strong labor standards such as skilled  
20 and trained won't allow housing projects to, quote,  
21 "pencil out," unquote. Treating workers and their  
22 families fairly should always pencil out.

23           What doesn't pencil out is the amount of  
24 money the public would need to provide to help build  
25 enough affordable housing to cover the need that is

1 driven by poverty wages and no benefits.

2 As it stands, data show 40 percent of the  
3 people enrolled in California's mean-tested safety net  
4 programs are from -- are from unrepresented residential  
5 construction working families. So we're already  
6 subsidizing the profits of these developers.

7 It's appropriate that publicly-subsidized  
8 housing projects set the highest standard for public  
9 benefit, and that includes job quality standards.

10 I want to say one word about CEQA. A couple  
11 words about CEQA, and then I'll wrap up.

12 MS. COHEN: I was going to say, just one on  
13 CEQA?

14 MR. SMITH: A couple.

15 MS. COHEN: Okay.

16 MR. SMITH: I encourage you all to look at  
17 the analysis for SB 1118 from the Senate Judiciary  
18 Committee from this past session.

19 All the data are complete according to the  
20 analysis. Three recent studies have found CEQA  
21 litigation rates of between one-and-three percent.  
22 We've heard often here that CEQA is the problem. That  
23 streamlining needs to happen.

24 It's important to note that discovery in  
25 CEQA cases is generally not allowed, as CEQA cases are

1 generally restricted to review of the record. The  
2 concurrent preparation of the record of the proceedings  
3 is required to enable judicial review to occur sooner.  
4 Counties over a -- with a population of our 200,000 must  
5 designate one or more judges to develop expertise on  
6 CEQA and hear CEQA cases. And that, if feasible, the  
7 Court of Appeal must hear a CEQA appeal within one year  
8 of filing.

9           To wrap up, we are here today to be the  
10 voice of workers. We understand that there's a housing  
11 shortage in the state. Our members feel it acutely.

12           I am grateful for the opportunity to tell  
13 you about the way that workers are treated in the  
14 residential housing market in California, and urge you  
15 to not forget about those who will actually build this  
16 housing, as you debate the property tax abatement policy  
17 approval proposal and all housing policy.

18           Thank you.

19           MS. COHEN: Thank you very much. I  
20 appreciate that.

21           One of the things became very apparent in  
22 the first two work -- well, certainly in the first work  
23 session was that we needed to have that labor of voice,  
24 that labor perspective. So I'm really glad you're able  
25 to make this a priority to be here.



1                   And I know you don't represent everybody.  
2 But you do represent a very important chunk of the labor  
3 community.

4                   And let me see if my colleague, I think -- I  
5 knew he had a question.

6                   Mr. Vazquez.

7                   MR. VAZQUEZ: Just a quick one.

8                   You know, I was raised in a labor household.  
9 So I know how important it is to make sure this happens.  
10 And when I was the mayor in Santa Monica, we always had  
11 project labor agreements. Which I think are real key in  
12 what you're addressing here.

13                   And at least, as we move forward, I'm  
14 -- I'll constantly bring that up.

15                   MR. SMITH: Thank you. I appreciate that.

16                   MS. COHEN: Thank you.

17                   Do you have any other advice on -- you watch  
18 the tapes. You watch the film. You've heard -- you've  
19 heard from -- maybe you're a -- an affiliate in the  
20 labor movement with -- from the teachers, the educators  
21 in particular, some of their concerns.

22                   You know, we also -- you might have heard a  
23 discussion talking about CEQA. You brought it up a  
24 little bit, and a push for -- for more reform. Any  
25 other -- anything else that you can give us that we

1 should take under consideration as we continue to  
2 explore this topic?

3 MR. SMITH: Well, I think you're on the  
4 right track here with the 30,000 foot level idea of  
5 providing funding for housing.

6 You know, I mentioned RDAs. Those went  
7 away. That was a big hit. And talking to some housing  
8 developers that -- that I'm -- might sound like I'm  
9 angry at today.

10 We did spend time talking to each other, not  
11 past each other. And I learned about them. And I  
12 learned some of the hurdles they face in creating  
13 affordable housing. And I believe they're real. I  
14 think the state auditor also came out with a report a  
15 couple years ago about some ongoing issues with the  
16 system.

17 I think, though, this idea that there be  
18 some specific type of state funding just for housing,  
19 like the teachers have with Prop 98, and the schools  
20 have the Prop 98 dedicated just to it, is something I  
21 think we would all agree on that needs to happen.

22 Because the state should have a role here.  
23 And part of that role, especially in times of very flush  
24 budgets, as we're in right now, which may not last  
25 forever, setting aside specific money that is there

1 every year for housing is something that we -- we would  
2 be very interested in looking at and seeing if we could  
3 support along the way.

4 Of course, as long as it comes with robust  
5 standards for workers who are going to build the  
6 housing.

7 MS. COHEN: Okay. So I assume you're going  
8 to be our partner as we continue to unfold and walk down  
9 this pathway.

10 MR. SMITH: Of course.

11 MS. COHEN: We are just about out of time.  
12 We have our next speaker coming.

13 Mr. Schaefer, did you have something you  
14 want to say?

15 MR. SCHAEFER: Yes.

16 I was just going to say I'm very impressed  
17 to hear that -- is it three-quarters of the apprentice  
18 are people of color.

19 MR. SMITH: Yes. According to DAS standards  
20 statistics, the Division of Apprenticeship Standards  
21 tracks this.

22 MR. SCHAEFER: Yeah. Because construction  
23 has always been pretty good pay. And this sounds to me  
24 like we're bringing -- upgrading economically to our  
25 more difficult neighborhoods. And I'm so pleased to

1 hear that.

2 MR. SMITH: We are. We are. Thank you for  
3 noting that.

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

5 MR. GAINES: Question, if I could.

6 MS. COHEN: Oh, yes. Of course.

7 MR. GAINES: Yeah.

8 Just in terms of CEQA reform. Because I  
9 keep harping on it. And I think it is an issue, and it  
10 needs to be addressed in terms of cost of construction  
11 in California.

12 But you had mentioned Senate Bill 1118,  
13 which I'm not familiar with. So could you just go  
14 through a couple of the highlights in terms of what's  
15 happening there?

16 MR. SMITH: Yeah.

17 Senator Borgeas, I think -- Senator Borgeas  
18 was the author of that bill.

19 MR. GAINES: Yeah. Okay.

20 MR. SMITH: I think he shares some of your  
21 concerns about the CEQA issues in this state.

22 That was a bill that he -- he introduced to  
23 fix a problem he thought would exist with the CEQA  
24 process.

25 MR. GAINES: Yes.

1                   MR. SMITH: The Judiciary Committee made a  
2 very good analysis about that bill, and noted in there  
3 about whether there was a need for the bill given the  
4 low rates of CEQA lawsuits. I think -- I can't think of  
5 the right word. CEQA proceedings that actually occur in  
6 the state, you know, between one-and-three percent.

7                   But it was a bill to -- it was getting at  
8 some of the issues you've raised here today.

9                   MR. GAINES: I see. Okay.

10                  MR. SMITH: I just wanted to -- I thought it  
11 was important to highlight, kind of, the analysis from  
12 the, kind of, third parties.

13                  MR. GAINES: Right. Yeah. I'll take a look  
14 at it.

15                  MR. SMITH: Yeah. I would encourage you to.  
16 Because they have the links to the studies in there.

17                  MR. GAINES: Okay.

18                  MR. SMITH: That talk about where they got  
19 that data.

20                  MR. GAINES: Okay. Thank you. Appreciate  
21 it.

22                  MR. SMITH: Yeah.

23                  It's nice to see you again, Senator.

24                  MR. GAINES: Good to see you. Yeah.

25                  MS. COHEN: Well, thank you very much for

1 your time.

2 MR. SMITH: Thank you, Madam Chair.

3 MS. COHEN: Keep your eyes and your ears  
4 watching this Board. We are going to be making some  
5 moves.

6 MR. SMITH: We definitely will. Thank you  
7 for including us. We appreciate that.

8 MS. COHEN: Of course. And give my best to  
9 Mr. Meredith.

10 MR. SMITH: I definitely will. He  
11 apologizes again.

12 MS. COHEN: All right. Ms. Cichetti, what  
13 do we have next?

14 MS. CICHETTI: Well, let's -- we could go to  
15 the AT&T moderator to finish up this issue, and then go  
16 to the Mayor.

17 MS. COHEN: Okay.

18 MS. CICHETTI: Or we could go the other way  
19 around.

20 MS. COHEN: Let's go to the Mayor first.

21 Is the Mayor on?

22 MS. CICHETTI: Yes, he is.

23 MS. COHEN: Okay. We're going to hear from  
24 Mayor Garcetti, The Honorable Mayor, Eric Garcetti, from  
25 the city of Los Angeles.

1 Hello, Mr. Mayor. Is that a picture, or is  
2 that really you?

3 MR. GARCETTI: Hello. How are you doing?

4 MS. COHEN: Oh, okay.

5 MR. GARCETTI: It's really me. Great to be  
6 with you. Thank you so much.

7 MS. COHEN: All right. Fantastic. It's  
8 good to see you.

9 MR. GARCETTI: You as well. Thank you.

10 I -- I appreciate really your focus so much  
11 on, what I always say is the number one, two and three  
12 issue in California, housing, housing and housing.

13 Almost everything in that California gene  
14 flows through our ability to build, maintain, preserve  
15 and make accessible housing throughout California.

16 The -- the Governor has often given me  
17 credit for something I once shared with him that I  
18 noticed. You know, we have the American Dream and the  
19 California Dream. It's not that people don't dream in  
20 other states, but that phrase doesn't exist as the  
21 Kansas Dream or the Main Dream or the Florida Dream.

22 We have something very unique in California  
23 that's been predicated on our incredible jobs, our  
24 public education system, our great weather, and, of  
25 course, accessible and abundant and affordable housing.

1 Which, unfortunately, if you look at that fourth thing,  
2 while we still have great weather and great people and  
3 amazing jobs that continue to grow here, really, our  
4 lack of being able to preserve and expand affordability  
5 for housing is the greatest threat I think to this  
6 state.

7                   You don't have to be homeless to see it.  
8 But you can feel it on our streets in homelessness, all  
9 the way up to a middle class that really questions  
10 whether it can stay. So thank you for your focus on  
11 this.

12                   Here in Southern California we had a very  
13 historic RHNA, Regional Housing Needs Assessment, that  
14 was very controversial to go through. But we finally  
15 had a majority of all the 100-plus cities in our  
16 5-county region, 88 cities of LA County that showed a  
17 need for about 457,000 new units to be built of housing  
18 in just 80 years. 185,000 of those have to be for low  
19 and very-low income. Another 75,000 or so for  
20 moderate-income residents.

21                   And so while we're doing everything to  
22 deploy all sorts of tools from our zoning, our  
23 transit-oriented development, for instance, has been  
24 abundantly successful, producing about half of the  
25 housing we now build, and encouraging affordable housing



1 without a subsidy.

2 Or whether it's looking at our work with  
3 accessory dwelling units, the artist formerly known as  
4 granny flats, which is now a quarter of our new  
5 construction. We're seeing people really answer this  
6 call.

7 So you put this in context, LA was building  
8 about a third the amount of overall housing nine years  
9 ago when I took over as mayor as we are every year now.

10 But to my successor, who will be elected in  
11 just about 60 days or so, I say to her or to him, we're  
12 gonna have to double that again in order to meet those  
13 goals.

14 So we are being ambitious on the policy  
15 front. Our voters passed the largest homeless housing  
16 measure in the nation's history, which is building about  
17 and leveraging 12,000 units of permanent supportive  
18 housing two years earlier and cheaper than we promised,  
19 and -- and a thousand more units than we had hoped. But  
20 it's still not enough.

21 And so, you know, the property tax exemption  
22 that you're focused on is such an important tool in  
23 incentivizing affordable housing.

24 It reduces for us the monthly costs of  
25 operating each affordable unit by \$500. About

1 40 percent of total operated costs.

2 I just came from an opening yesterday in  
3 South Los Angeles. Talked to two new residents who had  
4 been collectively on the streets for the last 40 years  
5 between the two of them, two decades each. And we see  
6 the impact of how homelessness has now ended for them.  
7 How opportunity has expanded.

8 One of the tenants, he has an Instagram  
9 account. He's a photographer. He's 77 years old. He's  
10 been homeless for 20 years. And I'm already following  
11 him.

12 He's talented. He's dealing with his  
13 bipolarity with case manager. But we need to do more.  
14 And I think there's a few things I can suggest to you  
15 that would be helpful.

16 First of all, we support the expansion of  
17 the exemption to cover workforce housing with residents  
18 earning up to 120 percent of median income. This really  
19 will incentivize more production at that missing middle,  
20 and help us get to our RHNA goals.

21 But, in addition, we know on the side, I  
22 think the Board of Equalization can be very helpful in  
23 the process, not just the actual granting of the  
24 exemption and getting the Organizational Clearance  
25 Certificates and Supplemental Clearance Certificates to

1 get welfare exemptions.

2 As we know, prior to 2007 this was  
3 centralized to BOE. But now pushing this down to the  
4 county assessor's office in each county, most of whom do  
5 this very unevenly. Talking to developers who work  
6 across California, it's very uneven.

7 And maybe the BOE could be helpful by  
8 requiring all the counties follow BOE's recommended  
9 process. Even working with the Legislature to put a  
10 time limit on how long a county can take to do that, and  
11 not have the authority to request more information than  
12 required by BOE, unless specifically approved by BOE.

13 A key change I also recommend is to allow  
14 affordable housing projects to obtain exemptions as soon  
15 as the affordable covenant is recorded on the site.

16 We just recently worked with an affordable  
17 housing developer who has zero subsidy from any  
18 government source. When we give them the permits,  
19 they're able to build and to open up their doors in  
20 13 months.

21 They have enough money to be able to create  
22 900 permit-supportive housing units this year, sell  
23 those off quickly, and get that \$100 million back into  
24 circulation to -- to another one.

25 But they came to us saying, Look, the city

1 of LA, which is faster than most places, adds another  
2 six months to that. So that makes 20 months.

3 And when we look at things like some of the,  
4 you know, exemptions, waiting a few months might seem  
5 like fine for us, but you pile these on, and then people  
6 say, "Why does it take five years for an affordable  
7 housing thing to get built?"

8 Well, cities are guilty, BOE is guilty, or  
9 county assessor's office and others.

10 But I think instead of waiting until  
11 project's completed, and then placed in service, and  
12 then requesting a refund, let's do that at the recording  
13 of the affordable covenant on a land site.

14 I think it'd also be helpful to allow  
15 property tax exemptions for all uses on a project if --  
16 if all are nonprofit uses, not necessarily nonprofit  
17 owners. They would be eligible for an exemption even  
18 when affordable housing development, a for-profit entity  
19 potentially, owns the site and leases the space to the  
20 other nonprofit users.

21 Let me give you an example of that. Here in  
22 Los Angeles, we had an affordable housing project on a  
23 church parking lot. It included, among other uses,  
24 49 housing units, and parking for the church, a child  
25 care center that was operated by the YMCA.

1           And all these uses, we know, make sense  
2 together. If you're a family, you need child care, you  
3 need parking, you need to be able to have housing.

4           But each was operated by entities that could  
5 secure an exemption if they owned the site on their own.  
6 But in order to secure the exemption for each use, we  
7 had to have this complicated air-rights subdivision, so  
8 that each nonprofit owned its own project, rather than  
9 just the "Y" and the church leasing from the affordable  
10 housing project.

11           So if we can figure out a way to just allow  
12 if they're all nonprofit uses, to have a single  
13 exemption for everybody on that site, that would be  
14 extremely helpful too.

15           And, lastly, the property tax exemption  
16 requires that the managing general partner of all tax  
17 credit partnerships be a non-profit that materially  
18 participates -- that's the quote -- materially  
19 participates in the development and operations of the  
20 project in order to be eligible for the exemption.

21           Although this has supported the role of  
22 mission-based non-profits, it's also -- they bring a  
23 commitment to the operating of that affordable housing  
24 well over the long term.

25           It's also opened the door to non-profits who

1 operate primarily to technically fill this role of the  
2 managing general partner, but who don't add capacity or  
3 resources to the partnership.

4 So the regulations require that the  
5 non-profits be true partners, but this is difficult to  
6 enforce well. So I think it's time to -- to review the  
7 efficacy of this requirement. Maybe find a better rule  
8 that effectively ensures the public benefits of having  
9 non-profits involved in an easier way for everybody.

10 So that's straight to the point. I hope  
11 that's helpful.

12 Thank you, Mr. Vazquez, for the invitation.

13 I know that you had our amazing General  
14 Manager of the Housing Department with you, Ann Sewill.  
15 And she is an extraordinary resource. Not just running  
16 a great department, but from her work at the California  
17 Community Foundation before.

18 So please reach out to us. Happy to answer  
19 any questions if I -- if I can.

20 Azeen from my team is here too. He might  
21 know things even better than me if it gets too  
22 technical.

23 But I hope that's helpful. And thank you  
24 for being a part of this.

25 A lot of people have said, "Well, everything

1 we're doing doesn't work." I think for the first time  
2 in my life I finally see realistic goals, a destination  
3 we can get around, a highway that's built, and a car  
4 that's finally constructed.

5 We're starting to put gas -- or maybe in  
6 this day and age, we're starting to charge that car.  
7 But we don't want to take it apart.

8 MS. COHEN: Yeah.

9 MR. GARCETTI: A lot of people who throw up  
10 their hands and say -- so if you're saying we don't fund  
11 these things, if we don't streamline these things, if we  
12 don't densify, if we don't find somehow, we're going to  
13 build a better car in three or four years from now and  
14 that's going to solve our housing crisis.

15 We know this requires us all to be in that  
16 car together to make sure it's running smoothly, has the  
17 energy it needs to move forward. And I appreciate you  
18 being clear mechanics in that process. And it's an  
19 honor to serve alongside you.

20 Thank you.

21 MS. COHEN: Thank you very much. I do have  
22 one question, and then I'm going to pivot to -- to  
23 Mr. Vazquez.

24 And -- and one of the things that we've  
25 heard a lot of the discussion around this -- this

1 morning and now into the afternoon was issuing general  
2 obligation bonds or revenue bonds by state or local  
3 governments to pay for the backfill.

4           And I wanted to see if you or maybe Azine  
5 had any thoughts or -- thoughts that you could share  
6 with us.

7           You spent a number of years on a state -- on  
8 the local level, running a very large city, lots of  
9 property tax revenue coming in to the county by assessor  
10 Jeff Prang. Great guy.

11           But one of -- as we walk down this line  
12 of -- or considering tax abatement as a tool to help  
13 build affordable housing, one thing that we're starting  
14 to hear now is, particularly from our allies in the  
15 education department, is they're very concerned about  
16 not having enough money for public education.

17           And so you -- the conversation has been  
18 really focused around backfill. And wanted to just get  
19 maybe your thoughts or feelings on -- on issuing general  
20 obligation bonds, or revenue bonds by -- by local  
21 governments to pay for the backfill.

22           MR. GARCETTI: You know, I don't know that  
23 we would do that in Los Angeles. I mean, just because  
24 of our credit ratings and other considerations where  
25 that would be somewhat risky, quite frankly, for future



1 administrations and obligations in the future.

2           Azeen can -- can chime in on this too. But  
3 I think the greater threat to our public education,  
4 quite frankly, is people leaving because it's  
5 unaffordable to stay. That's really when you're going  
6 to see a depression of revenues.

7           And also, as we're seeing in Los Angeles  
8 now, not enough students for our schools. So the fixed  
9 costs of our schools remain, but families can't afford  
10 to stay in places like Los Angeles.

11           So we're chasing two different things. I  
12 would say any emphasis where we're not -- where we don't  
13 envision that you're losing the tax revenues because of  
14 this, because of the exemptions. But that you're  
15 actually ensuring that we will continue to have  
16 students, that the local school districts will get their  
17 per-child reimbursements for their attendance every  
18 single day, instead of having now schools that are 40,  
19 50, 60 percent filled, and have to be closed down, and  
20 employees have to be laid off. I would say that that is  
21 a bigger threat.

22           But, Azeen, I don't know if you have any  
23 other thoughts on -- on -- I haven't heard anything.  
24 And I -- I would think that it would be something we  
25 would be very hesitant to do.

1 MS. COHEN: Yeah.

2 MR. GARCETTI: At least at the city level.

3 MS. COHEN: So we've heard --

4 MR. KHAZMALEK: Very well said.

5 MS. COHEN: We've heard the same from other  
6 fellow mayors in Riverside, Fresno, as well as  
7 Santa Monica. So I just wanted to check in to see if  
8 you had any differing opinion.

9 Mr. Vazquez.

10 MR. VAZQUEZ: First of all, Mayor, thanks  
11 for -- for finding the time to join us. I know we were  
12 going back and forth the last couple days. Really  
13 appreciate it.

14 But in your experience, and I know you're  
15 now finishing up your term here as the Mayor. And I  
16 know you've been real creative, because I've gone to a  
17 couple of the groundbreaking that you've done in the  
18 city of LA. And there's one coming up this Friday  
19 again.

20 And what do you -- from your experiences,  
21 could you share with us what we could do maybe better --  
22 a better job at, especially, I'm thinking on the tax  
23 credit side, the abatement side, and even possibly, you  
24 know, find out a way to maybe streamline the permitting  
25 process a little bit at the state level. Because I

1 think we're -- we're part of the problem.

2 MR. GARCETTI: There's no question.

3 And this is probably beyond the scope of  
4 just the Board of Equalization. But it's -- it is the  
5 most important question.

6 And I should have said, by the way, it's  
7 always a joy to join with you and all the Members. So  
8 thank you for the invitation. I'm glad it worked out.

9 But, you know, I want to give you a very  
10 blunt comparison. We're coming in, as I mentioned,  
11 about 15,000 -- I didn't say the exact number -- but  
12 15,000 less per unit in city subsidy for the projects  
13 that are -- we just went to a ribbon cutting yesterday.  
14 As you mentioned, there's one on Friday. I used to go  
15 to one a quarter, by the way. We're going to one or two  
16 a week. So we're really cooking with oil now.

17 But we compared what it costs, even with us  
18 coming in at lower level, for the city subsidy. Of  
19 course there's the state tax credits, sometimes state  
20 grants. And there is often project-based vouchers from  
21 our housing authorities. The sandwich that we all know  
22 that it takes for subsidized affordable housing.

23 In the cheapest most efficient places, those  
24 are coming in, in a city like LA, north of 450,  
25 \$500,000.

1                   Now, it's unfair to always say that's the  
2 price of a unit. Because these buildings often have  
3 child care. They have facilities for maybe mental  
4 health care and other things in there. And that's  
5 divided into the cost of each unit of housing. So a  
6 normal housing project doesn't have that. So the per  
7 unit cost is a little lower. But the overall cost of  
8 the building, divided by units, results in that.

9                   We recently went to a groundbreaking for a  
10 privately-financed permit-supportive housing unit that  
11 will come in about \$200,000 total. About half the price  
12 or less than half the price.

13                   I've been digging deep into this saying how  
14 is that even possible? It's going to have services, by  
15 the way. So it's not just the housing without the  
16 services.

17                   Like a lot of the things we do here, the  
18 land is donated. This was on a church parking lot.  
19 When I talked to the folks, they raised \$100 million in  
20 private capital. They are able to then, you know, work  
21 with a developer who's only making about five percent.

22                   Because they don't have to wait for the  
23 two-to-three year process of getting the state tax  
24 credits, and the loan, and this, and that, and the local  
25 money, and the project vouchers. They have the money in

1 place. They have the bank already waiting. They spend,  
2 they said, about 40,000 in legal fees versus a million  
3 dollars on average.

4           With other folks, just for the legal fees,  
5 nobody's building the system, but that's what we require  
6 developers to have in order to navigate the legal  
7 requirements that come from the state and sometimes the  
8 federal government.

9           I asked, was it -- was it labor? Is it  
10 because it doesn't trigger a prevailing wage?

11           He said, "No. Labor is a very small piece  
12 of it. We still pay basically the same as prevailing  
13 rates."

14           They don't have to, but they pay about the  
15 same. So it's not that our tradesmen and women are  
16 getting less money.

17           And the speed with which they can do this,  
18 like I said, as soon as they get their permit, means  
19 it's a 13-month build-out before people are moving.

20           So I would just say, if we're going to get  
21 serious about this, we have way too many funding sources  
22 into affordable housing.

23           We're very proud that Los Angeles will build  
24 about 2,400 units of permanent supportive housing this  
25 year. That's a new record. We're doing about 300 a

1 year when I started. So it's almost a tenfold increase.

2 But that company that I was mentioning, it's  
3 actually a, you know, a revolving fund, will build 900  
4 units without a single dollar from us.

5 So it's, you know, maybe more than a third  
6 more to the overall LA city numbers, at half the price.

7 So I think there's some real hard thinking  
8 we have to do. Some sharpening the pencils.

9 We have accepted for two or three decades  
10 that affordable housing is difficult. We need four or  
11 five sources of funding. That takes time. It's  
12 complicated.

13 Even if we were to stay with four or five  
14 sources of funding, why do we require different dates  
15 for all of them?

16 We should require local governments align  
17 their local money with the state programs, and then we  
18 should require the state ones to do it together.

19 We should have the -- the housing  
20 authorities or any county money aligned with it. And we  
21 should say a couple times a year, this date in spring,  
22 this date in fall is a day when projects go to all of  
23 those sources simultaneously. So you get the answers  
24 quickly. We require them to turn around the same amount  
25 of time.

1           Literally, we are our own worst enemy by  
2   creating the bureaucracy of the complicated way that we  
3   heroically have tried to piece together funding where it  
4   didn't exist.

5           But I think that private sector example is  
6   showing us how it can be done very quickly, sustainably,  
7   and for half the price.

8           MR. VAZQUEZ: No, thank you.

9           And, you know, along those lines, I know in  
10  the city you've done a great job. But on the -- if you  
11  looked at the school districts, because I think in  
12  LAUSD, as big as it is, I think there's a lot of school  
13  properties that are underutilized, and some that are  
14  vacant that, like you've done in terms of repurposing  
15  these old buildings and now turn them into housing, we  
16  maybe need to look at some of the schools that maybe  
17  need to be repurposed for affordable housing.

18           I agree 100 percent. And especially for  
19  that -- that missing middle. We did that with a school  
20  district and a couple sites. Teachers were paid too  
21  high to live -- to move in there. Some of the support  
22  staff in the school district, because we wanted to allow  
23  people who worked in those schools to be able to be  
24  right across the street from the school they worked in,  
25  they were able to afford it.

1                   But we have to figure out a way -- some of  
2 it's a federal requirement. But we know that a -- a  
3 teacher's income is not a middle class or luxury income  
4 in cities like San Francisco or Los Angeles. We should  
5 figure out ways for those rules to extend what those  
6 income requirements are, so they really can have  
7 affordable housing for folks like our teachers,  
8 hospitals, etc.

9                   But there's many property owners that are  
10 answering the call, Mr. Vazquez. Including our  
11 churches, our faith community, that are finally taking  
12 those parking lots and other places that have been  
13 vacant for too long and saying, "We want to be a part of  
14 this solution."

15                   You retain all your parking for your Sunday  
16 services, but you're able to, on the other six days a  
17 week, have affordable housing above that.

18                   MR. VAZQUEZ: Thank you.

19                   MS. COHEN: Thank you very much.

20                   Well, due to time, that limits our -- our  
21 time on this -- on this topic.

22                   Oh, we do have one last and short and  
23 succinct question, right, Senator Gaines?

24                   MR. GAINES: Yes. I'll keep it really  
25 short.



1 MS. COHEN: All right.

2 MR. GAINES: Number one, I just want to  
3 thank you for your service.

4 MR. GARCETTI: Thank you.

5 MR. GAINES: I appreciate that, as the Mayor  
6 of one of the largest cities in the nation.

7 But I did want you to know that we are  
8 working on speeding up the process for the welfare  
9 exemption. It's something that we're working on as a  
10 Board over the last several months. We're trying to  
11 figure out how do we refine that and make that happen  
12 more quickly.

13 MR. GARCETTI: Super.

14 MR. GAINES: And then I think you also made  
15 a comment about really a one-stop approval for  
16 permitting, is that correct, for the regulatory  
17 approval?

18 MR. GARCETTI: I was talking more about for  
19 the funding, that you would be one stop between the  
20 different state funds.

21 MR. GAINES: Okay.

22 MR. GARCETTI: But -- but with permitting as  
23 well, which is something we've done. Los Angeles, we --  
24 we physically located like five departments in one  
25 building. So you can go from one county, to the next,

1 to the next, instead of waiting for months. And that's  
2 important.

3 MR. GAINES: Wonderful. Great. Thank you.  
4 Appreciate it.

5 MR. GARCETTI: Thank you, Senator.  
6 Appreciate it.

7 Thanks, Madam Chair.

8 MS. COHEN: Wait. Wait. Hold on. Hold on.  
9 I have a soft heart. We've got one more.  
10 Mr. Schaefer.

11 MR. SCHAEFER: Eric --

12 MS. COHEN: Better be a good one, too.

13 MR. SCHAEFER: Mike Shaffer here.

14 You remember, I ran for your district when  
15 you got to be Mayor.

16 MR. GARCETTI: I remember. I remember.  
17 Good to see you behind there.

18 MR. SCHAEFER: I've always been concerned  
19 about air pollution. And I think there's trump progress  
20 being made there. Like you couldn't build affordable  
21 housing down there, the train station there, because  
22 there was a pollution problem.

23 And with the state getting cleaner air and  
24 cleaner cars and whatnot, there should be more and more  
25 locations open up for portable housing. I assume you

1 agree with me on that.

2 MR. GARCETTI: I do.

3 And we've actually been putting things like  
4 our EV car shares around our affordable housing projects  
5 in our lowest income communities and communities of  
6 color first, so that folks who are transit-dependent and  
7 don't even have cars, can swipe out and take cars that  
8 are zero emissions.

9 And we're putting the chargers right in  
10 front of those developments in the affordable housing  
11 projects that we are building.

12 So it's a great way to tie those things  
13 together, and literally making the air cleaner and the  
14 opportunities more abundant.

15 MR. SCHAEFER: I so admire your leadership  
16 in Los Angeles. I read the Times every morning.

17 MR. GARCETTI: Thank you. Don't believe  
18 everything you read in the paper. But I appreciate it.

19 MS. COHEN: All right. Thank you,  
20 Mr. Mayor. Enjoy the rest of your day. We appreciate  
21 it.

22 Ms. Cichetti, let's go to public comment.

23 MS. CICHETTI: Yes.

24 AT&T moderator, please let us know if  
25 there's anyone on the line who'd like to make a public

1 comment regarding this matter.

2 AT&T MODERATOR: Thank you.

3 And, ladies and gentlemen, if you wish to  
4 comment, please press one, then zero on your telephone  
5 keypad.

6 You may withdraw your comment at any time by  
7 repeating the one, zero command. If you're using a  
8 speakerphone, please pick up the handset before pressing  
9 the numbers.

10 Once again, if you wish to make a comment,  
11 please press one, then zero at this time.

12 Madam Chair, we have no one queuing up at  
13 this time.

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

15 Ladies and gentlemen, it is 12:52. We need  
16 to take a lunch break.

17 We will be reconvening at, let's say, 1:35.  
18 And we will begin with our good friend, Mr. Richard  
19 Moon.

20 Thank you. We are in recess.

21 (Whereupon the lunch recess was taken.)

22 MS. COHEN: Here we go.

23 Good afternoon, ladies and gentlemen.

24 It's 1:40, and we are reconvening.

25 Ms. Cichetti, could you please call our next

1 item.

2 **ITEM IV**

3

4 MS. CICHETTI: The next item is Item IV on  
5 today's Board Work Group agenda, Examining  
6 Constitutional Statutory and Regulatory Implementations.

7 It's been a long day.

8 "What's required?"

9 The speakers for this presentation is  
10 Mr. Richard Moon, Tax Council, California State Board of  
11 Equalization, and the Honorable Leslie Morgan, President  
12 of the California Assessors' Association.

13 MS. COHEN: Thank you.

14 Is Ms. Leslie Morgan going to be joining us  
15 in person or online?

16 MS. CICHETTI: I believe via Teams. Let's  
17 just -- yes, she is.

18 MS. COHEN: Oh, she's loading up.

19 MS. CICHETTI: It looks like she's coming  
20 right on.

21 MS. COHEN: Hello, Mr. Moon.

22 MS. CICHETTI: Here she is.

23 MS. COHEN: Hi, everyone.

24 MR. MOON: Good afternoon.

25 MS. COHEN: Good afternoon. Thank you very

1 much for making time to be a part of this conversation.

2 As you heard, you already know, we are  
3 discussing examining constitutional, statutory and  
4 regulatory implication about what's required. And this  
5 is, I think, a really important part of our agenda.

6 Mr. Moon, would you like to begin?

7 MR. MOON: I'd be happy to.

8 MS. COHEN: Thank you.

9 MR. MOON: So good afternoon, Chair Cohen,  
10 Members of the Board.

11 I'm Richard Moon with the Legal Department.

12 And during the work group meetings, as  
13 you've just stated, there's been a lot of information  
14 presented, and a number of ideas shared. And I've been  
15 asked to give a general description of what kind of  
16 changes, constitutional, statutory or regulatory, that  
17 might be necessary to carry out some of these ideas.

18 And, of course, in order to be really  
19 specific, and in order to know exactly what would need  
20 to be done, we would need to see a specific proposal.

21 But what I'd like to do is to present sort  
22 of a general high-level framework that will hopefully  
23 help the Board in thinking about what might be required  
24 to pursue any proposal that might be presented.

25 And then I will talk about a couple ideas

1 mentioned against that framework to illustrate how it  
2 might be helpful.

3           And I do need to make one caveat; that this  
4 framework applies only to property tax assessment and  
5 exemption-related ideas, the area over which the Board  
6 has authority, of course, and in which I have  
7 experience.

8           Proposals not involving assessment would be  
9 subject to different rules. And these might include  
10 ideas involving taxes other than ad valorem property  
11 taxes, or property taxes, but at a point after  
12 assessment, and then revenue and backfill-type issues.  
13 And those types of issues would require analyses likely  
14 by other government bodies.

15           So there are two categories, if you will,  
16 of -- of how to implement ideas, or how a proposal or an  
17 idea might be -- might be implemented.

18           And the first sort of broad category are  
19 those that the Board could implement on its own. And  
20 that would be because there would be already existing  
21 authority for the Board to do that.

22           And in those cases, the Board could do what  
23 it's good at, issuing LTAs or other guidance, for  
24 example, doing rulemaking, or reviewing our internal  
25 processes.

1                   And the second sort of broad category are  
2 those proposals or ideas that the Board could not  
3 implement on its own. And that would be because there's  
4 no existing authorization. And if that's the case, then  
5 either statutory or constitutional authority would have  
6 to be sought.

7                   And for real property exemptions, the kind  
8 we'd be talking about here, since house -- housing is  
9 real property, constitutional authorization is required.  
10 Because all real property subject to tax, unless  
11 otherwise provided by the Constitution. And if  
12 Constitution authorization does exist, then a statutory  
13 change would be required.

14                   And I'd like to sort of apply this framework  
15 against the welfare exemption as an example. And  
16 hopefully that that will be helpful.

17                   So the Constitution already authorizes the  
18 Legislature to exempt property that's both owned by a  
19 nonprofit and used for charitable purposes.

20                   And based on this authority, the  
21 Legislature enacted the welfare exemption for certain  
22 types of low-income housing owned by non-profits, and  
23 then charge the Board with administration of the  
24 Organizational Clearance Certificate and the  
25 Supplemental Clearance Certificate, the OCC and SCC.



1           Because authority to administer the OCCs and  
2   SCCs already exists, the Board could, and in fact has,  
3   as we heard yesterday, on its own, engaged, for example,  
4   in a review and streamlining of the approval process.  
5   Because no additional authority would be necessary.

6           However, if a proposal is to extend the  
7   welfare exemption, again, just as an example to moderate  
8   income housing owned by non-profits, this would likely  
9   require a statutory change, since currently section 214  
10  only allows exemption for low-income housing owned by  
11  non-profits.

12           And then if the proposal, again, just as an  
13  example, was to allow exemptions for for-profit  
14  developers, that would likely require a constitutional  
15  change, since currently the Constitution only allows  
16  exemption for non-profit owners.

17           So we would, of course, given any specific  
18  proposal, use kind of this high-level framework to think  
19  about what would be required.

20           But -- but, again, I think it is important  
21  to emphasize that depending on the proposal, you know  
22  there are potentially a host of things that we would  
23  need to look at.

24           But -- but hopefully that sort of high-level  
25  overview is helpful to the Board. And I'd be happy to

1 take any questions.

2 MS. COHEN: Thank you. Yes.

3 Yes, Mr. Moon. I do appreciate that.

4 I was wondering -- and if you're -- if you  
5 can answer the questions, please do. If you cannot,  
6 that's fine.

7 How could property tax abatements be  
8 authorized without amending the State Constitution?

9 MR. MOON: Well, again, I think it would  
10 depend on the specific proposal. So I had mentioned,  
11 for example, if the desire was to extend the exemption  
12 to for-profit developers, that would require a  
13 constitutional amendment.

14 If it were just to sort of expand the  
15 parameters a little bit, again, for example, to allow it  
16 for moderate-income housing, then that would require a  
17 statutory change.

18 So it -- it would -- I think it would really  
19 depend on what the proposal is.

20 MS. COHEN: All right. Thank you.

21 I didn't realize that there was distinction.  
22 So that's actually very helpful.

23 And can you let me know what legislation is  
24 needed to authorize a bonding option for a backfill?

25 So, for example, like the general obligation

1 bonds that require voter approval, or revenue bonds  
2 where the cash flow from rents pay the backfill.

3 MR. MOON: So that -- that's the kind of  
4 idea that would be in that category of ideas that aren't  
5 related to -- directly to property tax assessment or  
6 exemption, I mean. So I wouldn't be able to speak to  
7 that.

8 MS. COHEN: All right. I -- thank you.  
9 That's a -- thank you very much.

10 Yes, Mr. Vazquez.

11 MR. VAZQUEZ: Thank you, Mr. Moon, for your  
12 presentation.

13 I -- I just had a quick -- two quick  
14 questions. One of them, Ann Sewill, who spoke to us,  
15 the General Manager from the city of Los Angeles on  
16 housing, you know, she urged us to find a way to grant  
17 exemptions proactively as soon as the affordable housing  
18 deed restriction is recorded on the land, rather than  
19 waiting until the project is completed, requiring the  
20 owner to claim a refund, what is required legally to  
21 make this possible.

22 MR. MOON: Yeah. So I think what she had  
23 been referring to was the ability to exempt land while  
24 it was vacant.

25 And so that's one of those things that --

1 that may fall into a gray area. So I think some would  
2 argue that all that would be required is a statutory  
3 change. Because there's an existing welfare exemption.

4 And I think there may be some who would  
5 argue that it would require a constitutional change,  
6 because the argument would be that vacant land is not  
7 actually being used for the charitable purpose.

8 And I think if -- if presented with that  
9 kind of a proposal, that's something we would have to  
10 take a -- a little bit of a deeper dive on.

11 MR. VAZQUEZ: So, potentially, we could have  
12 some authority on that, you're thinking?

13 MR. MOON: Yeah. Well, there -- there's  
14 authority in the sense to exempt property used for  
15 charitable purposes.

16 And the question would be, is vacant land  
17 used for charitable purposes?

18 And I think there's good arguments that --  
19 that the answer might be yes. But, again, we -- that's  
20 something we would look at.

21 MR. VAZQUEZ: And in earlier, you mentioned  
22 in your comments, and I may have -- may have missed  
23 this, but did you say that it'd be difficult for us to  
24 implement the New York 421-a program?

25 MR. MOON: Well, unfortunately, I'm not all

1 that familiar with the 421-a program. From what I  
2 understand, it's some type of exemption --

3 MR. VAZQUEZ: It is.

4 MR. MOON: -- for affordable housing.

5 And so, again, we do, here in California,  
6 have an exemption for affordable housing. But, you  
7 know, there, of course, are limitations and criteria  
8 that have to be met.

9 And so I don't know if ours overlaps with  
10 theirs, or sort of what the parameters of theirs is.

11 MR. VAZQUEZ: That's what I was wondering.  
12 Because obviously there's two different Constitutions.  
13 And I just didn't know if it would take a constitutional  
14 amendment on our end, or if we are -- or if we have any  
15 authority to implement something like that here.

16 MR. MOON: Yeah.

17 So, again, I -- you know, going back to sort  
18 of that general framework, what our constitution allows  
19 is property exemption for property owned by non-profits  
20 used for charitable purposes. And the Legislature has  
21 determined that a charitable purpose is low-income  
22 housing.

23 So, again, there's a lot more that could be  
24 involved there. But that's sort of the general frame.

25 MR. VAZQUEZ: Okay. Thank you.

1 MS. COHEN: Thank you.

2 Yes. Go ahead, Mr. Gaines.

3 MR. GAINES: Yeah.

4 I just would like to expand on that.

5 Because we don't have taxing authority, but we have  
6 exemption authority. And so it sounds like what you're  
7 saying is that we might have the ability, in the case  
8 that Member Vargas is -- yeah. Vazquez. Sorry. Is  
9 presenting in terms of -- of the opportunity. If we  
10 focus on these school lands, then we might have the  
11 authority to grant the exemption.

12 MR. MOON: It's a little bit, I would say,  
13 even more nuanced than that. So I think we have the  
14 authority to administer an existing exemption. We would  
15 not have the authority to create an exemption.

16 MR. GAINES: Yes. Okay.

17 MR. MOON: So if the exemption exists, or if  
18 there's an exemption that could potentially be  
19 interpreted to apply to a particular scenario, then  
20 that's something that we could look at.

21 MR. GAINES: Okay. Wonderful. Thank you.

22 MS. COHEN: Mr. Moon, you've been  
23 outstanding and very helpful.

24 We are going to hear from our next speaker.

25 MR. MOON: Thank you.

1 MS. COHEN: Leslie Morgan, are you still  
2 with us?

3 Good to see you.

4 MS. MORGAN: Yes, I'm still here.

5 MS. COHEN: Okay. Great. Great.

6 Welcome to the conversation.

7 MS. MORGAN: What an amazing day.

8 MS. COHEN: Yes, it has been.

9 MS. MORGAN: Yeah.

10 So, Chair Cohen and Members of the Board,  
11 thank you for having me here.

12 As you stated, I'm Leslie Morgan. I am the  
13 Shasta County Assessor-Recorder, and currently the  
14 President of both associations, the Assessors'  
15 Association and Recorders' Association.

16 When I was approached about seeing if we had  
17 assessors who might be able to provide some input  
18 regarding the idea of the property tax abatement, at  
19 this point, it became a matter of, why don't I sit in,  
20 give you some of the viewpoints I discussed with the  
21 staff, and see where it's going.

22 Boy, after listening to today, there are so  
23 many thoughts in my head, and so many notes I've written  
24 down.

25 But I'll kind of start with -- just because

1 part of the perspective here, I feel like I've been  
2 getting from the speakers, is -- is who we are, what our  
3 area is. And so let me cover that.

4 I'll tell you that 80 years ago the idea of  
5 a base year transfer for my Latino grandfather was  
6 tearing down the home in -- near the lumber yard where  
7 he worked up in Westwood, and moving it down to Anderson  
8 when the lumber mills moved. So he got to bring his  
9 home down here.

10 And what's happened over time, I'll tell  
11 you, in Shasta County, because, obviously, we're a much  
12 smaller county than when we heard from the Mayor of  
13 Los Angeles, is we have the same issues that we're  
14 hearing about from the schools where our own staff  
15 and -- and you guys must see it as well. But our  
16 assessor staff can't hardly afford homes in the area.

17 And even when you look at other parts of  
18 assessment and administration, and you look at the  
19 conversations you heard about, like, Prop 19 and the  
20 people who want Prop 19 repealed, there are elements to  
21 those same conversations that really come into play with  
22 what we're talking about now in affordable housing, when  
23 you consider that part of what Prop 19 did is made the  
24 homes that weren't transferring for those individuals to  
25 live in that were also the homes of the parents, to



1 transfer those base years. Thus, kind of creating the  
2 world of, are you going to sell that home, place it on  
3 the market, and make it available to other families.

4 So there's so many aspects to this. I mean,  
5 in our county, our ACE scores are three times the  
6 average of the state. And every time I consider the  
7 conversation pieces we're talking about with whether  
8 it's a downturn in the market, a downturn in the  
9 revenue, the addition of more exemptions, whatever the  
10 effects are, the -- the largest source of discretionary  
11 income to our county is, of course, property taxes.  
12 That covers the schools, the -- the largest portion of  
13 it obviously, and our law enforcement, our fire.

14 And so everything kind of snowballs.  
15 Everything's like circular and snowballs together.

16 And I just -- I figured I'd cover that  
17 initially, because I feel like --

18 MS. COHEN: Ms. Morgan, can you just -- just  
19 give me a second, please.

20 If -- if you're -- if you're on the call,  
21 please mute yourself. We can hear your background.

22 I think they took care of it.

23 MS. CICHETTI: There's someone else on the  
24 line. Yeah.

25 MS. COHEN: Sure. Okay.

1                   Okay. Ms. Morgan, go ahead.

2                   MS. MORGAN: Okay.

3                   So I just figured I'd point that out.

4                   And then getting back into the conversation  
5 that I had with the staff. In my mind, I kind of think  
6 about it in terms of almost a part of what I'm hearing  
7 relates to, like, the senior citizens postponement type  
8 of thing, where is there a way of -- because I do feel  
9 it'd be much better to find a way to fund something like  
10 this on the front end, rather than backfilling. Because  
11 there's just no guarantees with backfilling.

12                   And so with senior citizens postponement,  
13 there's an agency in place, a funding source in place to  
14 ensure that property taxes get paid, and, therefore, the  
15 counties are kept whole, the schools are kept whole.

16                   And there's also a balance that they do in  
17 that to make a determination as to the income and -- and  
18 as well as the equity in the -- the home to ensure that  
19 the agencies themselves will ultimately get that -- that  
20 funding back.

21                   So it's -- it's kind of a front-end loan,  
22 but they're going to get the money back. Where this may  
23 not have that kind of same viewpoint to it.

24                   The other thing that always comes to my  
25 mind. And -- and I do believe it was somewhat related

1 to earlier in terms of how many different levels of  
2 funding sources there are for housing.

3 And now I have my recorder hat on. But I  
4 know that when SB 2 passed for the building homes and  
5 jobs trust fund, that recorders are collecting that \$75  
6 fee on every transaction, is not related to documentary  
7 transfer tax, and sending that in.

8 And for Shasta County, you know, last year  
9 it was a couple million dollars. And we're just a small  
10 piece.

11 We actually had a presentation done on that  
12 fund, and we had numbers provided to us for 18, 19 and  
13 20. And, for example, in 2020 there was \$491 million  
14 collected related to that fund. And I point these  
15 things out, because the first response I have is  
16 assessors don't really have a role in this, if it's not  
17 done through an exemption or exclusion of some sort.

18 This has to do with how you're going to loan  
19 money to developers, how you're going to see if you get  
20 that money back, what types of grant's in place, what  
21 kind of pieces come together with it.

22 Now, mind you, if it's handled like the  
23 postponement, we do have a flag we keep on the  
24 properties. We do have a notification process. There  
25 are liens that have to be filed in order to secure the

1 debt being created by those postponements.

2           And then the tax collector also has a role  
3 in it. But if these are really things that are managed  
4 through kind of the financing piece of how these  
5 properties come to development, then -- then the  
6 assessor isn't going to have a role. When we would have  
7 a role, as in your conversation about are there going to  
8 be exemptions, how those exemptions get applied.

9           And -- and it's very true that the hard  
10 thing for the local assessor's office is, like, when he  
11 said, you know, it's handled differently throughout the  
12 counties is, the uses are not always the same from one  
13 county to a next.

14           You know, we each have to look at how the  
15 property in our county is being used. And I'll give you  
16 a couple examples. You know, we had a church property  
17 with an adjacent piece of property that had been being  
18 assessed. You know, now that piece of property has some  
19 trails on there, and it qualifies as an exempt property.

20           But there's a lot of properties that I think  
21 there's also the consideration when you think about how  
22 we get the best I guess community, society as a whole  
23 benefit from these uses of the properties, there's a --  
24 there's a lot of distinction between vacant land being  
25 held for however long for development, or -- or with a

1 trail on it that, you know, qualifies now for an  
2 exemption.

3           There's -- there's a lot of other kind of  
4 overhaul pieces that I think, you know, may also need to  
5 be considered. Are there -- because, again, every time  
6 you exempt property, you're reducing the -- the revenue  
7 to counties, to schools. I have to fight for more of  
8 those dollars to get my office funded.

9           And there's a number of counties who are,  
10 you know, 18 months behind on their transfers just  
11 because of staffing needs.

12           So I don't know that I have answers. I have  
13 a lot of thoughts about all the ideas. And so often  
14 everything that I hear feels like it has competing --  
15 competing pros and cons, I'll say.

16           You know, I didn't agree with Prop 19, but I  
17 also think that maybe there were a number of voters who  
18 voted for it for a particular set of reasons.

19           I want more affordable housing in my county,  
20 and I don't necessarily know how to get us there. I'm  
21 appreciative of being involved in this, but I will,  
22 again, just say that overall I think that, as assessors,  
23 we're going to have to kind of sit back and watch this  
24 process to see where these changes might occur, as  
25 Richard Moon just pointed out.

1                   Because so much of this conversation, I  
2 don't know if it's gonna really affect what happens in  
3 terms of property taxes, property tax assessments, the  
4 qualifying points of exemptions. And, yet, I hope that  
5 we find a way to get more affordable housing in our  
6 state.

7                   So -- thank you.

8                   Do you have questions?

9                   MS. COHEN: Yes, of course.

10                  Okay. Let me see.

11                  Mr. Vazquez, he has one.

12                  Mr. Gaines.

13                  He might. Okay. He reserves that.

14                  MR. VAZQUEZ: Thank you, Ms. Morgan, for  
15 your presentation and your thoughts.

16                  I know you're a little bit overwhelmed with  
17 all the expertise that we had so far in this hearing and  
18 the ones previous.

19                  But one thing that constantly comes up from  
20 people, all the way from New York to San Diego, and even  
21 up and down the state of California, is trying to come  
22 up with a way where we can try to do a one-stop shop and  
23 to streamline this process.

24                  And I know you have a challenge, because  
25 you're representing very small counties. And then you

1 have some huge ones, like we heard from today -- earlier  
2 today. And I'm just wondering what your thoughts are on  
3 that.

4 MS. MORGAN: Well, I will say that it's not  
5 unique to find that as an assessor's office, we hear a  
6 lot of complaints about the steps developers have to go  
7 through about all the varying places. They're --  
8 they're managing their permits when this new fee came  
9 up. Usually we're after the fact, right?

10 We're putting that value on it now that it's  
11 complete, getting those market values. So we play such  
12 a small part in that, because we're not restricting them  
13 from doing what they're doing.

14 But it's very common, whether it's our small  
15 county or somebody else, to hear that the permitting  
16 process, the getting everything in place, going through  
17 the studies and -- and implementations. A one-stop  
18 methodology would be great, I think, from the  
19 development side. But also on the lending side.

20 When the Mayor discussed all the different  
21 pieces coming together, and how they have to apply to  
22 this agency, this agency, this agency all on different  
23 timelines, all with similar, yet, not always the same  
24 application.

25 Boy, if you could do that in one format, one

1 agreed-upon format to say we're all going to use this  
2 application to see if you qualify for this whole gamut.

3 Like FAFSA, you know. Really our students,  
4 they go apply to FAFSA, and then we figure out what they  
5 qualify for, and we can get those funding things to  
6 them. Why can't we do that with development?

7 Because, I mean, we hear it too. Like I  
8 said, we're -- we're kind of after the fact in terms of  
9 what we're doing with it. But we hear a lot of the  
10 frustrations from the developers when they're trying to  
11 get these projects going.

12 MS. COHEN: Yes.

13 MR. VAZQUEZ: And along those lines, if I  
14 could add to -- do you, from the county level -- I asked  
15 the cities, and I'm wondering from the county level, is  
16 there any way, or do you -- do we have a process where  
17 we could come up with the inventory of vacant lots in  
18 counties throughout the state of California?

19 MS. MORGAN: Well, I know that we have  
20 codings for vacant lots. We would know, you know -- I  
21 guess you're -- I'm assuming what you're meaning is  
22 government-owned in some way.

23 MR. VAZQUEZ: Well, yeah. Whether it's a  
24 city, a county, the state, or even the federal that may  
25 own properties within their respective counties that,



1 you know, some -- some cases they're land banking it in,  
2 and other cases it's just sit and vacant, ready to be  
3 developed for -- you know, at one point.

4 For example, a lot of cities, I think, were  
5 looking to develop a lot of properties that they had for  
6 office space. But now after COVID, you know, I think a  
7 lot of people are rethinking that, and now they're  
8 repurposing a lot of these office buildings for housing.

9 MS. MORGAN: Right.

10 And from an assessment perspective, we can  
11 easily, I guess, query, you know, non-assessed  
12 properties that are vacant, like coded vacant lots, you  
13 know, the -- statistic-wise, we can give you a lot of  
14 information that kind of gives you numbers.

15 MR. VAZQUEZ: That would be helpful.

16 MS. MORGAN: But the specifics behind why  
17 they're vacant and what's going on with them aren't  
18 always going to be consistent, you know.

19 Why they've been -- why a city has been  
20 holding on up to a particular lot may have something to  
21 do with the flood zone it's in, or, you know, other  
22 kinds of issues around it.

23 So, I mean, getting the data is easy, I'll  
24 say. But what goes into why those properties exist as  
25 vacant lots, I -- I would hate to imply that they're all

1 available for development.

2 MS. COHEN: I'm sorry. I need to -- there's  
3 no follow-up questions, Mr. Vazquez.

4 We have one more from Mr. Gaines, and then  
5 we need to get to our next speaker, who's --

6 MR. GAINES: Thank you.

7 So in terms of implementation, if we did  
8 move forward with an exemption or a tax credit,  
9 something of that nature, you're saying if that was  
10 funded upfront, which was one of the suggestions by the  
11 LAO, that that would be a lot simpler from a -- from a,  
12 I guess, logistically. And also more consistent in  
13 terms of funding.

14 MS. MORGAN: Exemptions aren't typically  
15 funded upfront. What I was referencing was, like, the  
16 property tax postponement of, like, the senior citizens.

17 If a program was developed like that, it  
18 would ensure that when we make an assessment, there's a  
19 tax bill created. And then the -- the tax dollars  
20 associated with that are -- are then filled to the  
21 county level, to the schools, all the agencies involved.

22 So we would still do everything exactly the  
23 same, but there would be an external mechanism of who's  
24 going to pay that bill, essentially.

25 MR. GAINES: Right. Yeah.

1 MS. MORGAN: And how does that work into the  
2 development.

3 MR. GAINES: Sure.

4 MS. MORGAN: Where exemptions aren't handled  
5 that way.

6 MR. GAINES: Yeah. I'm sorry, I misspoke.  
7 Abatement.

8 MS. COHEN: Okay. I'm sorry. I'm gonna  
9 have to put a --

10 MR. GAINES: Thank you.

11 MS. COHEN: Thank you so much.

12 MR. GAINES: Appreciate it.

13 MS. COHEN: All right.

14 Ms. Morgan, I hope that you'll continue to  
15 be part of this conversation and watch what we're doing  
16 here. You're one of our stakeholders. So I'm gonna --  
17 I know that we're gonna actively be reaching out to you  
18 and the association, and we're just in a fact-finding  
19 position right now.

20 MS. MORGAN: Thank you.

21 MS. COHEN: Thanks for making time to join  
22 us today.

23 The next speaker, Ms. Cichetti, would you  
24 mind?

25 MS. CICHETTI: Let's go to the AT&T

1 moderator on this one item before we go to the next one.

2 MS. COHEN: Thank you very much.

3 MS. CICHETTI: Yes.

4 AT&T moderator, can you please let us know  
5 if there's anyone on the line who'd like to make a  
6 public comment regarding this item.

7 AT&T MODERATOR: And, again, ladies and  
8 gentlemen, if you would wish to have a comment, please  
9 press one, then zero at this time.

10 You may withdraw your question at any time  
11 by repeating the one, zero command.

12 And, Madam Chair, we have no one in queue at  
13 this time.

14 MS. COHEN: All right. Thank you. Let's  
15 call our next speaker.

16

17

**ITEM V**

18

19 MS. CICHETTI: The next item on the Board's  
20 Work Group agenda is The Future of Property Tax  
21 Abatements in California: "Where Do We Go From Here?"

22 Speakers, we have a couple of them. We'll  
23 call them one at a time.

24 The first one up is Louise Carroll, Partner,  
25 Katten Muchin Rosenman, and former New York City Housing

1 Preservation and Development Commissioner.

2 MS. COHEN: Ms. Carroll, thank you very much  
3 for making time to be with us this afternoon. It's good  
4 to see you.

5 Colleagues, you might recall Ms. Carroll  
6 spoke to us briefly before in our -- in a previous  
7 meeting.

8 The floor is yours.

9 MS. CARROLL: Thank you.

10 Good afternoon, Chair Cohen and Members of  
11 the Board. Thank you for inviting me to speak with you  
12 again today about this important topic, and -- and to  
13 participate in your policy discussion.

14 Before becoming HPD commissioner, I spent  
15 many years administering and using tax exemption and  
16 abatement programs, including 421-a, to produce  
17 mixed-use residential housing with an affordable  
18 component.

19 New York City has a robust subsidized  
20 housing pipeline. But subsidized housing production is  
21 expensive and time-consuming. On its own, subsidized  
22 housing is not sufficient to build out of an affordable  
23 housing crisis.

24 A market-rate building may take two, one to  
25 two years in pre-development, and another two to three

1 years in construction. While a subsidized building may  
2 take eight years plus, at least in New York City,  
3 depending on the funding sources and the rules and  
4 regulations associated with these funding sources.

5 To build out of an affordable housing crisis  
6 requires every builder to do its part. It requires  
7 developers of market-rate housing, as well as  
8 not-for-profits and MWBEs to build housing for a range  
9 of incomes, including low, moderate and middle income.

10 A tax exemption or abatement program is a  
11 valuable tool to change the behavior of market-rate  
12 developers, so that when they build housing, they build  
13 for a range of incomes.

14 Since 1971, until it lapsed in June of this  
15 year, New York City had a robust tax exemption program  
16 called 421-a that required developers to produce  
17 housing, both rental and homeownership, and for many  
18 years included a requirement to build housing that is  
19 affordable to low and middle-income households.

20 The program changed over many decades to  
21 respond to the city's needs. The most recent rental  
22 program required projects applying for 35-year benefit,  
23 that if they met the eligibility requirements, they  
24 would get 100 percent exemption for the construction  
25 period, which we deem to be up to three years, and a

1 35-year post-construction tax exemption, which is broken  
2 down into 100 percent exemption during the first 25  
3 years, and an exemption equal to the percentage of  
4 affordable housing that was in that development for the  
5 last 10 years.

6           These -- there was also an enhanced 35-year  
7 benefit, which was available to rental developments of  
8 300 units or more. Which were located in specific  
9 geographic areas of the city, where the developers  
10 agreed to comply with the minimum average hourly rate  
11 requirements for construction workers.

12           If a project was -- if a project qualified  
13 for that program, they would get 100 percent exemption  
14 for construction up to three years, and a 35-year  
15 post-construction benefit of 100 percent tax exemption.

16           There was also -- the homeownership program  
17 was a 100 percent exemption for up to three years  
18 construction, and a 20-year post-construction tax  
19 exemption.

20           That 20-year post-contract --  
21 post-construction tax exemption was 100 percent  
22 exemption for the first 14 years, and a 25 percent  
23 exemption for the next six years.

24           Units had to, in order to be eligible, the  
25 homeownership units produced could not have an assessed

1 valuation cap after construction of above 65,000 per  
2 dwelling unit.

3           These homeowners would have to sign a  
4 primary residence requirement, which would be put in  
5 their deeds. And those buildings had to be 35 units or  
6 less.

7           In -- on February 3rd, 20 -- of this year,  
8 the New York City, New York University's Furman Center  
9 put out a report analyzing a decade of 421-a production.  
10 And in the decade between 2010 and 2020, this program  
11 produced 68 percent of all completed new housing in  
12 buildings of four units or more.

13           In that decade, this program produced  
14 approximately 117,000 units out of 171,805 completed  
15 properties. So we consider -- and this is just a  
16 decade. This program has been in action since 1970s.

17           And we consider that that production then  
18 comes online without city subsidy, with private  
19 financing, has been a real game-changer in -- in having  
20 unit production, post-market rate and affordable.

21           So we know that what works in New York City  
22 may not work everywhere in -- in other parts of the  
23 country. But things to really consider if you're going  
24 to go ahead with an abatement program is restricting the  
25 use of the tax abatement to privately financed housing.



1                   Why? Because you're able to harness the  
2 speed and -- the speed of construction and the financial  
3 efficiency of private production.

4                   It would mean that developers, if they -- if  
5 you created an abatement, and they knew upfront what  
6 they needed to do to qualify, they'd go to a private  
7 lender. They'd get a loan. They'd build the housing,  
8 and they get the abatement. And the housing would be  
9 online at a faster rate.

10                  Limiting the abatement to new construction  
11 rental and homeownership housing is another thing to  
12 consider. If you're creating new supply, you're  
13 increasing the housing supply.

14                  Whereas a lot of I -- I assume like New York  
15 City, California has a lot of programs for  
16 rehabilitation and preservation housing. So using this  
17 to increase housing supply in a housing crisis is a  
18 thing to consider.

19                  Tailoring the percentage of affordability,  
20 the size of the abatement, the term of the abatement, so  
21 that households can gain financial stability, and  
22 developments can have enough income to support the  
23 operation and maintenance of properties for its useful  
24 life.

25                  In addition, consider tailoring the

1 abatement based on the economics of production in  
2 different geographies, as an abatement may be too large  
3 in one county, and too small in another.

4 Another question to consider is where do you  
5 go from here?

6 MS. COHEN: Yes.

7 MS. CARROLL: Should abatements be on the  
8 value of improvements on the land, while owners continue  
9 to pay taxes on the value of the land before  
10 improvements?

11 That way you -- you're not losing tax  
12 revenue on vacant land, you're foregoing increased  
13 improvements in exchange for affordable housing  
14 production and market-rate production.

15 Should there be a revenue backfill, or will  
16 the economic activity created by an increase in land  
17 sales, transactions, jobs, etc., decrease the need for  
18 tax revenue or a backfill?

19 For example, in New York City, our transfer  
20 tax and mortgage recording tax in 2020, transfer taxes  
21 were collected to the amount of 14 billion, and  
22 mortgage-recording taxes collected was about 10 billion.

23 In New York City, our mortgage recording tax  
24 is 1.8 percent for mortgages below 500,000, and  
25 1.9 percent for mortgages above 500,000.

1                   Transfer taxes, one percent if a property  
2 value is less than 500,000 and 1.425 if it is above  
3 500,000.

4                   So that is another consideration as opposed  
5 to a backfill, that increasing the mortgage recording  
6 taxes and transfer taxes associated with the increased  
7 transactions that you might expect to have with such a  
8 tax abatement might be a solution as well.

9                   Consider location of the affordable housing  
10 within developments to avoid creating stigma, avoid  
11 clustering affordable units together.

12                   One of the issues we've had in New York  
13 City, which we've -- we fixed is when you have  
14 mixed-income housing, also making sure that there any  
15 amenities that are available to the market-rate tenants,  
16 are also available to the low and moderate-income  
17 tenants.

18                   Finally, any program you choose must meet  
19 the needs of Californians, as understood by your elected  
20 officials. What worked in New York City may not be  
21 universally applicable. But the affordable housing  
22 crisis is a national one, which comes down to math.

23                   Can rents support building construction, as  
24 well as operation and maintenance?

25                   If it doesn't, a tax abatement is just one

1 way of making the math pencil out.

2                   If you have any questions, I'm happy to  
3 answer them.

4                   MS. COHEN: Thank you.

5                   A few -- couple -- a couple questions.

6                   What was the -- what was the process or the  
7 formula that you used to come up with many of the  
8 figures that you rattled off? Like the mortgage -- the  
9 mortgage -- the mortgage taxes. The -- how did you  
10 determine that?

11                   MS. CARROLL: So these numbers come from our  
12 Department of Finance and our assessors.

13                   MS. COHEN: Okay.

14                   MS. CARROLL: I know you have -- you -- you  
15 have your assessor on here.

16                   And so this was put, this report, about how  
17 much recording tax with mortgage recording tax and  
18 transfer tax was paid -- was produced, was from a report  
19 from the Real Estate Board of New York.

20                   MS. COHEN: Okay.

21                   MS. CARROLL: And they analyzed the -- the  
22 tax data in New York City.

23                   MS. COHEN: So my question -- so  
24 specifically, like, was there a process involved where  
25 you had the members of the Legislature had to take a

1 vote? Or was it just the Department of Finance and the  
2 assessors got together, they agreed upon it, and then  
3 that was what was universally adopted and accepted?

4 MS. CARROLL: I understand. Thank you for  
5 your question.

6 So let me start with the imposition of  
7 taxes. The state is really the -- the -- responsible  
8 for -- for determining the tax structure.

9 So, for example, 421-a is a state  
10 legislation that is formulated in concert with the city.  
11 The state itself has its own transfer tax and mortgage  
12 recording tax. And then the city was able to  
13 promulgate, through rules, its own additional mortgage  
14 recording tax and transfer tax.

15 So what I'm quoting is really what the  
16 city's rules are, not this -- not the overall mortgage  
17 recording tax and transfer tax collected on New York  
18 City transactions. Because the state has, in addition  
19 to the city, its own legislation.

20 MS. COHEN: Thank you. That's actually  
21 helpful, and it answers my question.

22 Let me see if my colleagues have any  
23 questions.

24 Mr. Vazquez, please.

25 MR. VAZQUEZ: Yes. Kind of piggybacking on

1 that question.

2                   So the transfer tax, and I guess other fees  
3 taxes, some you said were city and some were state. Was  
4 that enough to backfill the abatement to make the cities  
5 whole?

6                   MS. CARROLL: So the 421-a program currently  
7 cost the city over \$171 million.

8                   I -- I would say when we talk about mortgage  
9 recording tax and transfer tax, we're talking about all  
10 real estate transactions in the city. So there isn't a  
11 one-to-one correlation.

12                   One of the criticisms of 421-a is how  
13 expensive it is to -- to -- to finance affordable  
14 housing in that way. I would say that the jobs created,  
15 the value and the cost of the units created. We did an  
16 analysis in New York City that if the city had to pay  
17 for the units, the affordable units. Not the  
18 market-rate units, but the affordable units that are  
19 created through 421-a.

20                   And we -- we assume that it's about 5,000  
21 units of fiscal -- affordable units of fiscal year,  
22 probably a little bit more, that it would eat up our  
23 entire \$1.4 billion in capital that New York City allots  
24 to finance affordable housing, as well as all of our tax  
25 credit allocation, and any other monies that are

1 allotted for affordable housing.

2           And the reason is if you're creating housing  
3 at 60 percent -- affordable to 60 percent AMI, or  
4 40 percent AMI, that housing does not cover the cost of  
5 maintaining it. It's maintenance and it's operation.

6           And so in order to even construct and then  
7 maintain that housing, you need the market-rate rents to  
8 help cross-subsidize.

9           And so while the cost of the tax exemption  
10 is great, the benefit actually to the city is even  
11 greater when considering how much the city would have to  
12 pay to produce those same units.

13           I can't say one-to-one in terms of all of  
14 the mortgage recording tax exempt, and all of the  
15 transfer tax that's collected, exactly how much of it is  
16 representative of 421-a only. But if you consider, at  
17 the stat that I said before, which is that 68 percent of  
18 all completed buildings, residential buildings used  
19 421-a, that's -- that constitutes a large portion of  
20 those mortgage recording --

21           MS. COHEN: Ms. Carroll, let me -- let me  
22 also jump in here. And first, New York's property tax  
23 abatement program doesn't have a backfill component.

24           MR. VAZQUEZ: Doesn't.

25           MS. COHEN: It doesn't.

1 MS. CARROLL: That's correct.

2 MS. COHEN: So that's -- I mean, I think  
3 that's really what you're asking. How to --

4 MR. VAZQUEZ: That's a piece of it.

5 MS. COHEN: That's a piece of it.

6 MR. VAZQUEZ: I was just actually following  
7 up on yours.

8 Let me just ask my one question I was going  
9 to ask about 421.

10 MS. COHEN: Yes.

11 MR. VAZQUEZ: And it's more on the, you  
12 know, when you mentioned, I think earlier, I don't know  
13 if it was today or last time. But the, you know, the  
14 421-a program exempts both the low income and middle  
15 income housing units from property taxes for the same  
16 length of time, and what time is that?

17 MS. CARROLL: Yes.

18 So it -- it -- and the market rate. Because  
19 those mixed-income developments may have low and market  
20 rate, or middle income and market rate.

21 So there -- there are two periods. There's  
22 a 35-year period where you could either get 100 percent  
23 exemption for the full 35 years if you agree to pay  
24 prevailing wages, basically union labor, or you --  
25 there's a 35-year period where there's 100 percent



1 exemption for construction period benefits.

2           And then the -- this 25 years of -- of  
3 100 percent exemption. And then the last 10 years of  
4 exemption represents the percentage of affordable units  
5 in the property. So if you have 25 percent of  
6 affordability, your last 10 years would be 25 percent  
7 tax exemption, not 100.

8           For the homeownership portion of the  
9 program, the exemption was for 20 years. That's 20  
10 years, including the three years, in addition to the  
11 three years of construction period benefits. So it's in  
12 essence 23 years, because you're getting three years of  
13 construction period benefits, and 20 years thereafter;  
14 14 with 100 percent exemption, and the last -- the last  
15 years, I think the last six years you're getting  
16 something like 25 percent.

17           MS. COHEN: Thank you.

18           Let me see if my colleagues on my left, do  
19 you guys -- do you have any questions down here?

20           No. All right.

21           Ms. Carroll, you are an expert in this area.  
22 Thank you for taking time again to impart some of your  
23 knowledge. We will be reaching out to you I'm sure  
24 again for -- for more questions, and to borrow your  
25 expertise.

1           But, with that said, we appreciate you  
2 making time and imparting your wisdom on the state of  
3 California. Thank you.

4           MS. CARROLL: Thank you so much.

5           MS. COHEN: You're welcome.

6           Ms. Cichetti.

7           MS. CICHETTI: The next speaker on this item  
8 is Michael Lane, State Policy Director, San Francisco  
9 Area Planning and Urban Research.

10           My understanding is -- yes, there he is.

11           MS. COHEN: Mr. Lane, how are you?

12           MR. LANE: Doing well. Thank you.

13           MS. COHEN: Good. I'm glad to hear that.

14           Welcome. I'm sure you have been listening  
15 to the conversation. You're on a panel that is  
16 specifically addressing examining constitutional,  
17 statutory and regulatory implications. Like to know  
18 what's -- what's required as we step into this new  
19 territory.

20           The floor is yours. Thank you.

21           MR. LANE: Great. Thank you so much,  
22 Madam Chair and Members.

23           Michael Lane with SPUR, a public  
24 policy think tank in the San Francisco Bay area.

25           And first just want to express my -- how

1 impressed I am with both you and your staff and the work  
2 you've done. You've really surfaced many of the key  
3 issues and heard from so many different stakeholders.  
4 And it's really kind of a demonstration how difficult it  
5 is to work in this space.

6                   Also thrilled today that the Governor also  
7 signed into law some -- some additional legislation that  
8 would help in terms of on the entitlement side and  
9 approval of housing, but also need to continue to focus  
10 on financing and what it takes to actually bring  
11 together those sources to -- to be able to finance and  
12 build this housing.

13                   Make a few observations, and then want to,  
14 you know, cut to the chase and really talk about  
15 recommendations for next steps and where we can go from  
16 here.

17                   MS. COHEN: Yes. Thank you.

18                   MR. LANE: So I think the -- the key problem  
19 we're trying to solve for is California's high cost of  
20 construction. We have the highest construction costs in  
21 the world, that's both soft and hard costs, that make it  
22 very expensive to develop housing here, and multiple  
23 factors, materials, labor, taxes, fees, and I would also  
24 point out inclusionary housing requirements.

25                   Some of these programs in other states,

1 which to some in -- to some or a greater degree are  
2 applicable in California. We'll talk about that. But  
3 they actually provide that tax abatement in exchange for  
4 affordable housing on site. Whereas in California, we  
5 actually require the inclusionary housing, affordable,  
6 below market-rate housing to be included in the  
7 development without any type of public subsidy or  
8 incentive to the developer.

9           Now, in some cases the developer can use the  
10 density bonus. But depending on the cost of  
11 construction and the financing for a particular  
12 development, that may -- that may not be sufficient, and  
13 you actually do need additional types of incentives to  
14 really make a project feasible and to be able to go  
15 forward.

16           Because in some jurisdictions with  
17 excessively high inclusionary housing requirements,  
18 we're actually seeing that stall out, developments that  
19 are in the pipeline.

20           And then, of course, the cost of land in  
21 California is -- is a significant factor as well, apart  
22 from just the cost of construction.

23           Other states have moved to address these  
24 issues. California, for the most part, has not. While  
25 Proposition 13, as is known as one percent of assessed

1 value on property values, and the cost of land for  
2 construction is very high, can be, you know, \$10 million  
3 an acre for -- for residential development in some  
4 cases.

5           And you've taken a good look at some of the  
6 programs in other states. And oftentimes those are also  
7 high cost states that are trying to address the issue of  
8 having market-rate development include affordable  
9 housing, and how we can create those incentives to make  
10 that financially feasible.

11           You've also, I think, indicated, and council  
12 has also provided input on the differences within  
13 California in terms of Proposition 13, and how are our  
14 property taxes actually stay at the local level, and the  
15 implications of that of any state actions and -- and --  
16 and how we might potentially need a constitutional  
17 amendment for some of the approaches that have been  
18 suggested, and how the property tax welfare exemption,  
19 for example, only applies to 501(c)(3), charitable  
20 organizations.

21           And so we have those types of limits in  
22 California that aren't applicable in other states. But  
23 I think it's also appropriate for us to take a look at  
24 all the potential avenues, including what BOE has  
25 authority over.

1           And then also where there might be  
2 partnerships with the Legislature and the Governor, and  
3 other statewide constitutional officers, to try to put  
4 together a program that's really customized to -- to  
5 address the issues that are unique to California and  
6 our -- and our tax structure.

7           So in terms of recommendations and next  
8 steps, one thing that I think BOE could do and would be  
9 of interest to me is just to clarify and ensure  
10 consistency on how we assess the value of the buildings  
11 that do have those BMR affordable units in them.

12           And I know, obviously, the rents are  
13 different for those units. But, in essence, what we're  
14 doing is, you know, units can cost \$800,000, even a  
15 million dollars a unit in the higher cost areas of our  
16 state to develop those. And -- and the developers ask  
17 to maintain those below-market rents for the useful life  
18 of the building without any public subsidy or  
19 reimbursement.

20           And we just want to make sure that what that  
21 methodology is, it's actually capturing the lost income  
22 and the revenues for that building, versus the cost of  
23 actually providing those affordable units on site. And  
24 make sure that's being applied by assessors across the  
25 state in a consistent fashion.

1           So we'd love to work with you in that  
2 particular space, just to understand that methodology  
3 better, and to make sure it's being implemented in the  
4 field correctly.

5           We also think it might be appropriate to  
6 think of modest state budget allocation next year to  
7 create the framework and guidelines for a proposed pilot  
8 program that would demonstrate the benefits of the  
9 public and tenants, and also allow housing projects that  
10 are stuck in the pipeline to move forward and create the  
11 housing and the good construction jobs that we will  
12 need.

13           An example would be just two years ago,  
14 Treasurer Ma received \$2 million from the State General  
15 Fund through the action by the Legislature and the  
16 Governor to begin to set up the parameters for the  
17 California Dream for all homeownership program.

18           And then now this last budget cycle,  
19 \$500 million were deposited into -- into that program to  
20 create a revolving loan fund.

21           Something similar could be a path for us to  
22 consider for -- for this type of tax credit or abatement  
23 program that you're looking at. The idea of a revolving  
24 loan fund means that the funds are repaid over time.  
25 And that's also some of the CalVet's veterans' housing

1 program.

2 In addition to exploring state tax credits  
3 or refunds of property tax at the state level, while  
4 keeping the local jurisdictions whole, we could also  
5 push the state on loan programs and revenue bonds that  
6 would allow taxes, fees and inclusionary housing  
7 requirements imposed on new development to be financed  
8 over time, had more favorable interest rates to address  
9 these cost issues.

10 At CalHFA, for example, currently doesn't  
11 have a program like this. And so I think there may be a  
12 valuable opportunity here to look at a partnership with  
13 that agency as well.

14 And I'll stop there, and take your questions  
15 and comments.

16 MS. COHEN: Thank you.

17 So the first question I really that -- that  
18 I have that comes to my mind is, can you just succinctly  
19 tell us where do we go from here?

20 MR. LANE: Yes.

21 So I -- I'd really like to work with you on  
22 the -- on the recommendations for next steps as a  
23 report.

24 MS. COHEN: Okay.

25 MR. LANE: And then begin to really flesh



1 out, you know, these proposals, based on the feedback  
2 we've received from stakeholders, and -- and try to do  
3 the best we can to keep local jurisdictions whole, while  
4 also doing something meaningful in terms of incentives  
5 for -- for development.

6 And, you know, we've got kind of the  
7 outlines here. We could actually pull together a policy  
8 brief on that with you.

9 MS. COHEN: Thank you.

10 Let me see if my colleagues have any  
11 questions for you.

12 Mr. Vazquez.

13 MR. VAZQUEZ: Yeah.

14 My question is kind of in the similar vein.  
15 I was just wondering, given your experience, especially  
16 with cities and counties, what some of these bond  
17 measures for affordable housing efforts, and which  
18 you -- what's your thought is on maybe some of these in  
19 terms of backfilling, if we went with an abatement  
20 prop -- proposal.

21 MR. LANE: Yeah. So I think that the  
22 straightforward way would be that the developer would  
23 still pay the local property taxes, which mean the  
24 schools and cities, counties and special districts would  
25 all get their portion of that.

1           And then the developer, then, would apply it  
2 to the state for a kind of a refund of the property  
3 taxes paid at the local level for X number of years, in  
4 exchange for the affordable housing that -- that's  
5 offered on site.

6           MR. VAZQUEZ: Gotcha.

7           MR. LANE: There's no constitutional issue  
8 there. And then there's not an issue with local  
9 jurisdictions not receiving their share of property  
10 taxes.

11           Obviously there is a hit to the general  
12 fund, but I think a pilot program in that regard could  
13 be limited, I think, as -- as previous speakers have  
14 said, the developer could demonstrate the need.

15           But for this rebate, the project won't go  
16 forward. I think they'd be willing to open their books  
17 in some cases, dependent upon the project, in order to  
18 get this type of relief.

19           MR. VAZQUEZ: Thank you.

20           MS. COHEN: All right.

21           On my left, any questions? No?

22           All right. I'll go back to mine.

23           So we have you for just a few more minutes.

24 I was wondering what kind of safeguards could be  
25 included in any -- any backfill to ensure that our

1 schools or local governments don't lose any revenue.

2                   And this, I think, is a hot question. We've  
3 posed it periodically from other panelists to hear their  
4 thoughts.

5                   MR. LANE: Yeah. I think that's the benefit  
6 of a rebate against any state liability that -- that a  
7 developer would have. They would still pay their local  
8 property taxes. And so you would keep that whole.

9                   And the state would then set aside X amount  
10 of dollars, maybe it's a few hundred million dollars,  
11 with a fine amount of dollars, then -- and then that  
12 would be the developer that would apply for it out of  
13 that.

14                   And once it's gone, we could then take a  
15 look at how effective it was, and how many new units  
16 were produced. And then consider, you know, next steps,  
17 if there's additional funding that could be made  
18 available by the state for this type of a refund or  
19 reimbursement.

20                   MS. COHEN: Okay. All right. Thank you.

21                   Mr. -- Mr. -- Mr. Gaines.

22                   I'm done. Mr. Gaines has a question for  
23 you.

24                   Go ahead.

25                   MR. GAINES: Thank you.

1           In terms of a rebate, do you know -- do you  
2 have an idea of what that number should be, if we were  
3 to offer a rebate for affordable housing?

4           MR. LANE: So you could -- you could put a  
5 limit on it. You know, if it's a -- let's say it's a  
6 \$100 million building, you know, one percent of assessed  
7 value would be that -- that one -- that one percent. So  
8 a million dollars. A year against any existing tax  
9 liability the developer may have. And then you could  
10 also limit the number of years somewhere in the realm  
11 of, you know, five to seven to ten years.

12           And then once that abatement or refund is no  
13 longer available, then it wouldn't be an additional  
14 expense. But in the meantime, you will have gotten  
15 shaken loose some of these projects that otherwise  
16 wouldn't -- wouldn't have gone forward.

17           And you've -- and I think to the points of  
18 other speakers, you're also creating economic activity  
19 that otherwise wouldn't have happened, and a new  
20 assessed value at a higher -- at a higher amount, than  
21 if the project had not gone forward.

22           MR. GAINES: Sure. And -- and would that be  
23 a -- would that be a one-time rebate per -- once per  
24 project, or would it renew annually on those projects?

25           MR. LANE: Yeah. I agree with the previous

1 speakers. Probably the best way to do that is to set  
2 aside the dollars upfront one time. And then -- but  
3 over -- with the -- as in terms of calculating the way  
4 Department of Finance and others would want to do that.

5 And so maybe if -- if the total was, you  
6 know, a million dollars a year over seven years, that  
7 seven million would be set aside upfront, similar to,  
8 you know, the tax credit program.

9 MR. GAINES: Sure.

10 MR. LANE: And then -- and then you would  
11 know how much you were spending over time, and how many  
12 products you could fund based on, you know, that -- that  
13 general assessed value.

14 MR. GAINES: And do you think that that  
15 would provide a net result of more housing built? That  
16 program just as described?

17 MR. LANE: It absolutely will. And I think  
18 that would be part of the way we craft the program, is  
19 to make sure that the developers are demonstrating the  
20 need for the -- the subsidy.

21 And -- and, actually, the developers that  
22 we've been working with would be willing to do that with  
23 this type of a program to demonstrate that. But for  
24 this -- this intervention, the development won't occur.

25 MR. GAINES: Okay. And I guess another

1 broader question is, is there a nexus -- do we have a  
2 nexus with BOE in terms of the ability to do something  
3 like -- I love this idea. So I'm just trying to figure  
4 out if it's not -- I guess it might fall under  
5 definition of an abatement. If it's a rebate, I -- I'm  
6 just --

7 MS. COHEN: You know, Mr. -- Mr. Gaines, I  
8 can't give you a definitive answer. I mean, it's kind  
9 of like what we're doing. We're exploring and probing.

10 MR. GAINES: Yeah.

11 MS. COHEN: And seeing where things are.

12 As you heard, Mr. -- yeah -- Mr. Lane is  
13 going to -- wants to be a part -- a part of our process,  
14 our wrap-up process, and drafting, coming up with  
15 recommendations --

16 MR. GAINES: Oh, that's great.

17 MS. COHEN: -- and possible solutions.

18 So --

19 MR. GAINES: Wonderful.

20 MS. COHEN: I think we'll look -- explore it  
21 there at the next step.

22 MR. GAINES: Thank you.

23 MS. COHEN: But, yeah, I don't know the  
24 answer to that.

25 MR. GAINES: Thank you, Mr. Lane.

1                   MR. LANE:  If I could just quickly say, it  
2 would require, I think, likely a partnership with the  
3 Legislature and Governor at least to set aside those  
4 potential dollars for, first, a pilot program like this.

5                   But I think the fact that you've taken this  
6 leadership, and because you aren't involved with these  
7 other exemptions that are similar to this, it's -- it's  
8 really important to have you, you know, at the table as  
9 a key partner.  And it's something that we certainly  
10 appreciate, your leadership with that.

11                   And also just that one other piece, I just  
12 wanted to highlight, again, how we assess properties  
13 with the inclusionary component.  I'd love to learn more  
14 and work with your -- with your staff on that as well.

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

16                   Mr. Lane, we're out of time.  But thank you  
17 for your presentation.

18                   Do you have any other parting words that you  
19 want us to know or share?

20                   MR. LANE:  We're here for you.

21                   MS. COHEN:  I like -- thank you.  That's  
22 good.  I like that.  All right.  We're here for each  
23 other.  We appreciate you for making some time.

24                   MR. LANE:  Thank you.

25                   MS. COHEN:  Next, we're going to hear from

1 uh Dr. Jason Ward.

2 Dr. Ward, good to see you. How are you?

3 MR. WARD: Good, Chair Cohen.

4 Thanks for having me back.

5 MS. COHEN: Yep. Thanks for coming back.

6 All right. So, folks, this is Dr. Jason  
7 Ward. He's the Associate Director from RAND Center on  
8 Housing and Homelessness.

9 He came, and he presented -- was it last  
10 month you presented or the month before?

11 MR. WARD: I believe it was August.

12 MS. COHEN: August. Okay. I know it seems  
13 a long time ago.

14 So welcome. And the floor is yours.

15 MR. WARD: Thanks very much. It's an honor  
16 to be here again before you all.

17 To briefly summarize the points I made in my  
18 last comments, which are somewhat similar to the  
19 comments I'm going to offer today.

20 In my last appearance before the work group,  
21 I suggested that the characteristics of an effective  
22 abatement program might include the following broad  
23 characteristics:

24 One, that the program target dense in-fill  
25 multi-family housing production, as this represents



1 perhaps the best way to provide missing-middle type of  
2 housing under present conditions in California. Which  
3 include high land and production costs and a challenging  
4 regulatory environment.

5 Also that the abatements be temporary and  
6 phase out gradually, rather than ending abruptly.

7 And, then, finally, that any programs be as  
8 simple as possible in order to avoid contributing to the  
9 considerable load of regulatory barriers that developers  
10 have to already navigate to produce housing in the  
11 state.

12 MS. COHEN: Okay.

13 MR. WARD: But this convening, I was asked  
14 to focus my comments on the issues of -- specific issue  
15 of addressing the risk to tax-funded entities of forgone  
16 property taxes through the use of funding mechanisms  
17 that could effectively backfill any such losses, which  
18 has obviously been a recurring thing with earlier  
19 speakers.

20 As an important caveat, I'm not an expert in  
21 finance. So my comments are going to be at a pretty  
22 high level, and primarily going to attempt to highlight  
23 a few potentially important issues around incentives  
24 related to differing funding approaches as I understand  
25 them, and broad evidence on the feasibility of such

1 mechanisms.

2                   So the way abatements are financed should,  
3 in general, not be essential to update by developers  
4 who, you know, will simply take an abatement they can  
5 get. But different financing approaches may create  
6 various incentives among voters and leaders in effective  
7 jurisdictions regarding whether or not to support an  
8 abatement program.

9                   The choice of the financing mechanism may  
10 also affect the ability to attract investors.

11                   Local bond issues that incur a general  
12 revenue obligation may be problematic, since they  
13 require voter approval. And existing homeowners may not  
14 want to bear -- to risk bearing an additional tax burden  
15 to create new homes in their jurisdiction.

16                   Beyond that, in areas with more general  
17 sentiment against increasing housing production,  
18 garnering local support for any effort to do so may be  
19 difficult, regardless of the incidents of the funding.

20                   A state-level bond issue could broaden  
21 support, and a state-level general obligation bond  
22 offering would spread at any cost risk to a point where  
23 it would likely be relatively trivial to any given  
24 jurisdiction or voter.

25                   But a broad-based bond issue may have

1 multiple other problems, including, you know, the need  
2 to go before voters, and also issues around perceived  
3 equity, which was alluded to by Ms. Carroll, I believe.

4           So, for example, if some localities used  
5 abatements a lot, and others not at all, but all are  
6 equally on the hook for any kind of practical  
7 application. For these reasons, revenue bonds may be  
8 more attractive, since these would be directly repaid  
9 from positive differences in tax revenues over time.  
10 And also would not require voter approval for this  
11 reason.

12           However, the risk represented by the lack of  
13 a generalized repayment obligation at the state or local  
14 level would require some sort of yield premium. Though  
15 such a premium could, in turn, help to attract  
16 investment to these vehicles.

17           I'm not aware of any direct analogs to such  
18 a program. But this approach is, in some respects, I  
19 believe, similar to the California Earthquake  
20 Authority's use of revenue bonds in order to maintain  
21 required levels of capital to meet potential claims.

22           That might be one example of its type of a  
23 structure that could be used. My understanding is that  
24 these bonds have been typically rated in the middle of  
25 the spectrum of investment grade bond ratings. They're

1 reasonably, you know, state investments, I think.

2           A revenue bond act program also, in some  
3 respects, resembles why we use tax increment financing  
4 schemes, where for some taxing district created for a  
5 special purpose, such as financing infrastructure  
6 improvements, all increases in the tax base above a  
7 baseline rate are directed into a fund. It's used to  
8 repay bonds issued to the -- to fund the desired  
9 expenditures upfront.

10           A critical question, however, is whether an  
11 abatement program could provide returns sufficient to  
12 fund a revenue bond issue. This answer is going to  
13 depend on two things in particular. First, how quickly  
14 abated tax revenue on presumably higher value projects  
15 would overtake the status quo tax revenue a parcel would  
16 generate without redevelopment, which is just a touch  
17 [inaudible].

18           And, second, how many projects might receive  
19 abatements that would have gone forward without them,  
20 which is truly affordable on revenue.

21           If an abatement program focused on  
22 supporting projects that would create high-density  
23 housing, where there was known before that, on average,  
24 I think such projects should lead to assessed values  
25 that are multiple times higher than existing values.

1           To give one example from my own neighborhood  
2 in LA, a recent project near me converted two small  
3 commercial parcels with an assessed value of just over  
4 1 million into a 46-unit apartment building with a  
5 ground level commercial, that has a current assessed  
6 value of about two years after it opened of close to  
7 6 million.

8           For this sort of redevelopment, a relatively  
9 brief abatement that phases out gradually, say, over  
10 five or ten years, would tend to only require backfill  
11 for the first one or two years before the new tax  
12 revenue would overtake the prior revenue stream in  
13 magnitude.

14           So in the case I just gave, collecting only  
15 20 percent of the new assessed value would lead to  
16 overall property tax revenue greater than the prior  
17 assessed value at 100 percent.

18           This rather typical example of the kind of  
19 redevelopment that makes the most economic sense in a  
20 high-cost environment like California today suggests  
21 that a well-targeted abatement program could likely  
22 support a revenue bond repayment schedule, even if some  
23 projects that might have gone forward without the  
24 program also receive abatements in the process.

25           Of course, addressing the risk of providing

1 abatements to projects that would have proceeded  
2 otherwise is difficult. Mr. Lane suggested that  
3 developers might be willing to open their books to sort  
4 of make a case along these lines, which would be a great  
5 process, you know, if it's sufficiently, sort of,  
6 transparent.

7                   But, you know, one -- one other approach  
8 would simply be to assure that the abatements target the  
9 production of dense and kind of naturally affordable  
10 housing, which is tended to be underproduced.

11                   So in this sense, you know, new projects  
12 can -- can be thought ex ante to have some claim to be  
13 projects that would not have otherwise gone forward.  
14 This -- this alone might minimize the likelihood of  
15 spuriously providing abatements.

16                   And then to the extent an abatement program  
17 perhaps shifts developers toward producing this type of  
18 housing rather than the more typical kind of luxury  
19 housing being produced in most major metro areas today,  
20 then it could also be argued as such projects would not  
21 have gone forward in the absence of the program.

22                   Zooming out, it occurs to me that it's also  
23 important to contextualize any sort of  
24 production-focused abatement program within the ongoing  
25 program of interest rate hikes being conducted currently

1 by the Federal Reserve with the goal of county  
2 inflation.

3           Since March the FED has raised rates from  
4 nearly zero to three percent. And it's now generally  
5 expected that they'll continue on this path until  
6 [inaudible].

7           This suggests that the pro-housing  
8 production effects of an abatement program could be  
9 dampened by higher interest rates in two ways that occur  
10 to me.

11           First, higher financing costs may simply  
12 make all housing production less likely to pencil out.

13           Second, you know, treasury bond rates  
14 represent the risk-free baseline against which any other  
15 bond offering to finance an abatement program must be  
16 compared against.

17           So higher treasury rates would require  
18 higher rates for a relatively riskier revenue bond  
19 offering, which might lead to lower capacity to finance  
20 abatements for a given pool of capital that was set  
21 aside.

22           But another way to view this scenario, in my  
23 opinion, is that a property tax abatement program may  
24 provide much-needed incentive to continue to build in  
25 the face of economic headlines.

1           Much of our current housing woes in the  
2 state can be traced to the collapse of housing  
3 production during the Great Recession in 2008. The  
4 production in the state fell from a total of around  
5 200,000 units per year in 2005, to something closer to  
6 40,000 units in 2011.

7           This collapse lasted much longer than the  
8 collapse in demand. And the resulting mismatch is an  
9 important factor that contributed to the dramatic lack  
10 of affordability we see across the state today.

11           So if higher borrowing costs from the FED  
12 had the effect of softening demand for labor and  
13 materials in the -- in the housing sector, then the  
14 savings represented by an abatement program may be able  
15 to steer housing production toward the creation of, you  
16 know, missing middle, or other forms of affordable  
17 housing, specifically market -- market affordable  
18 housing.

19           This could represent then a unique  
20 opportunity to increase housing affordability in a time  
21 of otherwise lack demand for the inputs of housing  
22 production.

23           So just to summarize, backfilling  
24 temporarily forgone tax revenue resulting from a  
25 well-targeted abatement program that aims to increase



1 the production of dense affordable housing should prove  
2 to be economically feasible under reasonable program  
3 characteristics, due to the large gains in assessed  
4 value typically observed with this type of redevelopment  
5 activity. Considering the incentives of local  
6 jurisdictions and existing homeowners suggest that the  
7 use of revenue bonds may be a desirable way to  
8 accomplish this goal.

9           And then, finally, current economic  
10 conditions may work both for and against the  
11 effectiveness of an abatement program. But, broadly,  
12 such a program might represent a really rare chance to  
13 support needed housing production in a countercyclical  
14 fashion. Which could help with long-term state housing  
15 goals at a time when such help may be especially  
16 critical.

17           Thanks very much. I welcome your comments  
18 and questions.

19           MS. COHEN: Thank you, Dr. Ward. You  
20 actually gave us a lot to consider here.

21           And I was just wondering if you were able  
22 just to simply just speak to a couple questions that we  
23 have been hearing a lot.

24           Earlier this morning a panel of  
25 representatives from public education, CTA, and some of

1 the other associated educational unions, just expressed  
2 some concern about losing funding for public  
3 instruction.

4           And I wanted to know if you had any advice  
5 on safeguards that could be included in any -- in the  
6 backfill, or if there's legislation that we need to  
7 authorize for a bonding option for backfill. Just kind  
8 of, can you speak to that a little bit?

9           MR. WARD: Sure. I can try.

10           You know, as I mentioned, I'm certainly no  
11 expert in this area of finance.

12           But, you know, echoing the comments of  
13 Mr. Lane, I think one way to sort of make this kind of a  
14 program cause concerns like that would be to -- maybe,  
15 a -- sort of come decide on a finite pool of money that  
16 would be expended. Sort of in the way that, say, like  
17 we fund rebates for electric vehicles at the state  
18 level, or we just have this money. You can get it until  
19 it runs out. And then you could basically, you know,  
20 create a bond offering that would collect that money  
21 upfront and set it aside, you know, as Mr. Lane said.

22           So in that sense, you would only be -- you  
23 would only -- you would be able to hold people harmless  
24 until you couldn't anymore, you know. And I think that  
25 would be the most sensible way to just ease those fears

1 is by saying, you know, we will generate this capital  
2 fund upfront, and you just spend it down until it can't  
3 be spent down anymore.

4           But, you know, I think -- I think it should  
5 also be relatively straightforward to show, as both I  
6 and Mr. Lane were suggesting, and -- and as was echoed  
7 by Ms. Carroll, that, you know, the type of  
8 redevelopment that you would want to spur would just  
9 tend to have a pretty dramatic increase in -- in the  
10 assessed value of properties that were redeveloped.

11           So, you know, it's -- it's really hard to  
12 see a scenario where there's uptake of a program like  
13 this, and somehow, you know, it doesn't pencil out in  
14 the end from -- from a financing perspective.

15           I mean, if you develop -- if you create  
16 redevelopment that, say, raises property values or  
17 assessed value by 5x on average, there's just really not  
18 a great way for that kind of a program to fail, to be  
19 able to provide -- to backfill temporarily lost revenue.  
20 And in the long run, it should significantly increase  
21 revenue.

22           Which in areas like California and like LA  
23 where we have declining LUSD enrollment, which, you  
24 know, is often attributed to poor housing affordability,  
25 should really be sort of more of a cure than a -- than a

1 disease from the perspective of these kinds of entities  
2 in my opinion.

3 MS. COHEN: Understood.

4 Thank you very much.

5 Let me see if Mr. Vazquez has a question.

6 He does.

7 MR. VAZQUEZ: Thank you again, Dr. Ward, for  
8 your presentation.

9 As I mentioned last time, I am a strong  
10 supporter of adaptive reuse. I've been working on this,  
11 you know, back -- these in Santa Monica, as well as  
12 LA County. And in your studies you've done, isn't there  
13 a greater economic benefit from restoring unused  
14 buildings for affordable housing, rather than letting  
15 them remain vacant?

16 MR. WARD: So I would say that that  
17 depends -- sort of probably depends on the way you frame  
18 value, right?

19 I mean, I think there's considerable  
20 environmental value to reusing buildings. I think  
21 they're, you know, given the -- the need for housing, I  
22 think there's sort of a welfare loss of letting  
23 buildings sit vacant or underused in that way.

24 And as I mentioned last time, I do think  
25 that, you know, targeting abatements potentially to

1 adaptive reuse of buildings, particularly, you know, to  
2 the extent it might encourage existing developers to  
3 redevelop buildings, which would greatly simplify some  
4 critical aspects of adaptive reuse projects, I think  
5 that could be a good use for an abatement program.

6 And I don't think that anything, you know,  
7 in terms of the backfill financing stuff would be really  
8 an issue there, you know, it would be -- would differ in  
9 any way there from, say, new construction.

10 MR. VAZQUEZ: That's what was kind of my  
11 thoughts. Thank you.

12 MS. COHEN: Senator Gaines has a question  
13 for you, Doctor.

14 MR. GAINES: Yeah.

15 Thank you very much, Dr. Ward.

16 I'm just trying to think of an example of  
17 market affordable housing that would not naturally be  
18 built in the marketplace.

19 So I know that we're trying to, you know,  
20 we're trying to find the missing middle, right? We're  
21 trying to find out how do we provide more housing for  
22 those individuals.

23 So what you're saying is that need is not  
24 being met. And we -- we would want to maybe use a  
25 revenue bond that would help offset those or incentivize

1 the construction of those types of units.

2           You mentioned dense affordable projects.  
3 I mean, is that the type of product that would satisfy  
4 the need that we're trying to fill?

5           MR. WARD: Yeah. So -- so I get -- you  
6 know, a lot of these terms are pretty squishy, right?

7           Usually, in kind of government housing  
8 policy, where when we say "affordable," we're thinking  
9 of publicly subsidized, you know, housing. But I -- I'm  
10 trying to use that more generically.

11          MR. GAINES: Okay.

12          MR. WARD: And think about, you know,  
13 generally, I think of a positive relationship between  
14 density and affordability. So when you can get more  
15 units built, you know, they're going to just tend to be  
16 more affordable by nature.

17          You know, I've heard of developers speak on  
18 the topic of, you know, why do you produce so much  
19 luxury housing? And, you know, the -- the takeaway  
20 generally is because that's the only thing we can make  
21 money on.

22          So I think that, you know, especially if  
23 economic conditions continue to be more challenging for  
24 housing production, and, you know, for housing  
25 consumption really, I think that offering a route to

1 developers that says, just build more sort of low-frills  
2 buildings that, you know, you can't sort of build a sort  
3 of a low-frills building, and then just say, oh, it's  
4 a -- it's a luxury development, you know. We're going  
5 to charge high rates after all.

6           So I think in some sense you can just look  
7 at the type of project people are proposing and get a  
8 sense of where they're targeting in terms of the market.

9           And I think if you can use abatements to  
10 steer people to sort of build, you know, the equivalent  
11 of starter homes, like sort of starter departments and  
12 things of this nature that are so rare now, I think that  
13 you can address affordability in a reasonable way. At  
14 least at the sort of middle level, that there's a lot of  
15 focus on, without having to make it overly complicated.

16           MR. GAINES: Yeah. Okay. That's good.

17           And you're saying that in some of these  
18 cases you can actually increase the -- you would  
19 increase the value of the land, right? I guess in all  
20 cases.

21           MR. WARD: Yeah. I mean, if you think  
22 about --

23           MR. GAINES: -- and building on it. So --

24           MR. WARD: If you think about going from,  
25 say, you know, to like a small commercial parcel that

1 had a few small businesses in it, to a, you know,  
2 40-unit apartment building, it's just, you know, there's  
3 really no question that that's going to significantly  
4 increase the value.

5           And, you know, as long as people need to  
6 live in housing units, you kind of, you know, it's a  
7 little bit of a seller's market in the current  
8 environment in California, I think. Especially if  
9 prices come down.

10           MR. GAINES: Yeah.

11           MR. WARD: Which could happen, you know, per  
12 growth statewide.

13           MR. GAINES: And if you had your own funding  
14 via revenue bond, you wouldn't be getting into some of  
15 these challenges we're having with CTA and education and  
16 funding. And, you know, counties are worried too,  
17 right? So --

18           MR. WARD: Those are my thoughts. That you  
19 would essentially say, this is just a free lunch for you  
20 all more or less, right?

21           MR. GAINES: Okay. Great. Thank you.

22           MR. WARD: Thank you.

23           MS. COHEN: All right. Great.

24           Before you let -- before we let -- we let  
25 you go, I just want to acknowledge that the



1 recommendations that you've made are just incredibly  
2 solid, well thought out. Thank you.

3 We've heard your testimony from last month  
4 and this month about exploring a pilot, and if the state  
5 explored a pilot to allow us to test the effectiveness  
6 of -- of such a program in California.

7 What would you recommend that we include in  
8 that pilot program?

9 MR. WARD: That's a really tough  
10 off-the-cuff question.

11 You know, I mean, I guess it would have to  
12 be sort of sufficiently large to generate enough  
13 activity across a diverse range of areas, and maybe even  
14 sort of housing topologies to have an understanding as  
15 to what its, sort of, effects would be.

16 I think that the suggestion that Mr. Lane  
17 made that developers would be willing to open their  
18 books to sort of show that they have a specific need for  
19 this abatement as a condition of making a project  
20 pencil. If that's the case, that's great, you know.

21 Though I think that may also trade some  
22 complexity in terms of, you know, showing that  
23 California already has a lot of complexity.

24 But I think that that would be important to  
25 at least explore in a pilot, looking at how much the

1 abatements matter to different types of projects in  
2 different areas.

3           And, you know, I think it also then would be  
4 worth doing something that sort of follows up and looks  
5 at how potentially new production spurred by abatements  
6 affect other prices in the area, right?

7           If there's any growing literature showing  
8 that when you create new market-rate units in an area,  
9 it actually creates these sort of migration chains where  
10 people can sort of move through the housing stock, and  
11 helps to really spur filtering and the creation of more  
12 naturally occurring affordable housing.

13           So those are just some things I would sort  
14 of think about, being cognizant of off the top of my  
15 head. I hope that's not too much of a squishy answer.

16           MS. COHEN: It's not too much of a squishy  
17 answer. We'll take it.

18           And we'll end on that note. Thank you for  
19 your time and your expertise. We appreciate you joining  
20 us.

21           And, Ms. Cichetti, we are a little bit ahead  
22 of schedule. Our previously scheduled speaker,  
23 Mr. Cornelius Burke, is not able to join us today. So I  
24 was wondering if -- if perhaps we could go to public  
25 comment.

1 MS. CICHETTI: Yes. Let's do that.

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

5 AT&T MODERATOR: And, once again, if you  
6 have a comment, please press one, then zero at this  
7 time. One and zero.

8 Madam Chair, we have no one in queue at this  
9 time.

10 MS. COHEN: All right. Thank you.

11 So, folks, how about I -- I propose we take  
12 a 15-minute recess. And we will reconvene at, we'll say  
13 3:15. Thank you.

14 (Whereupon a break was taken.)

15 MS. COHEN: And we're gonna come back into  
16 session.

17 Ms. Cichetti, I believe we already took  
18 public comment online. I was wondering if there's  
19 anyone in the chamber that would like to make public  
20 comment. Let's call for it. This is just in the  
21 abundance of transparency.

22 MS. CICHETTI: Yes. Yes.

23 Is there anybody in the audience who would  
24 like to come up and make a public comment?

25 We have not received anything. No one's

1 completed any sort of documents that they wanted to  
2 speak.

3 MS. COHEN: Wait a minute, I think I hear a  
4 stampede coming.

5 Oh, no. Okay. Thank you.

6

7

**ITEM VI**

8

9 MS. CICHETTI: We do have one other item on  
10 the Board Work Group. It's our sixth and final item to  
11 do an overview of the day and the next work group  
12 convening.

13 MS. COHEN: All right. Thank you very much.  
14 Thank you, colleagues, for actively  
15 participating, in the last three months, this work group  
16 meeting.

17 And to the BOE staff, I just want to also  
18 acknowledge your herculean efforts and -- and for  
19 helping us facilitate and convene and participate in the  
20 conversations.

21 I also want to acknowledge and thank your --  
22 Members, your individual staff. They've just been  
23 incredible.

24 Vazquez, you in particular, your staff has  
25 been bar none. And I am very, very grateful for that.

1 I'd like to thank the presenters on this  
2 third and final meeting of the Property Tax Abatement  
3 Work Group. We look forward to presenting the minutes  
4 and our final report to confirm our findings.

5 And I want to just say, alas, thank you to  
6 Ms. Executive Director, Ms. Yvette Stowers, for her team  
7 and their hard work on and managing these meetings,  
8 noticing these meetings, making sure that we are in  
9 legal compliance of these meetings. It's just beautiful  
10 how everyone has all of their hands on deck.

11 I'm grateful for the cookies that are also  
12 provided to this. It's the smaller things, but thank  
13 you.

14 You see, that's the only thing that got  
15 applause.

16 Also want to call attention to, as I  
17 mentioned, Mr. Vazquez's team, but also my team, who  
18 helps really steer this conversation doing the follow-up  
19 work, and the follow-up e-mails, and the checking, and  
20 the double checking, and then the coordinating on making  
21 sure they can get online, the speakers.

22 So I am looking forward, as we just wrap  
23 this up, and -- and kind of digest this, I don't know if  
24 you guys have any parting thoughts or any last-minute  
25 thoughts or things that you want to share?

1 Yes. Yes, Mr Schaefer.

2 MR. SCHAEFER: We're wrapping up the  
3 meeting, right?

4 MS. COHEN: No, sir. We still have more  
5 business, but we're wrapping up the work group.

6 MR. SCHAEFER: Okay. Well, I want to thank  
7 all the speakers we've had from around the country, and  
8 especially Ms. Carroll, who's built a couple hundred  
9 thousand units, I understand.

10 We've learned so much about affordable  
11 housing and property tax abatement.

12 Thank you.

13 And I want to thank Chair Cohen for  
14 continuing to spotlight these issues, which is what I  
15 think we can be very good at.

16 And I'm going to use everything that I've  
17 learned to improve my relationships with the  
18 Legislature, and with our executive staff on this  
19 housing problem. So I thank you for bringing it to us.

20 MS. COHEN: Thank you.

21 Mr. Gaines, any comments for you?

22 MR. GAINES: Yeah.

23 I want to thank you, Member Cohen, and  
24 Member Vazquez for all your hard work and for moving  
25 forward on this issue. It's a huge issue. I think

1 we've learned a lot in the last couple of sessions. And  
2 we can then try to figure out what -- where do we go  
3 from here.

4           But I was really impressed with some of the  
5 later speakers, both Mr. Lane in terms of kind of  
6 providing some concrete ideas of what we might want to  
7 look at. He talked about a rebate opportunity.

8           And then also Jason Ward from RAND  
9 Corporation about a pilot program. And I thought those  
10 are maybe two areas we could look at.

11           I had a chance to speak to Member Vazquez  
12 earlier, and he's talked about this throughout the whole  
13 conversation about focusing on those lands that school  
14 districts have. And that might be a pathway.

15           That's -- I'm trying to find something kind  
16 of tangible that we can focus on and really have an  
17 impact. But those are kind of the three areas that I  
18 saw that I think are promising. And I'm sure there's  
19 other ideas too.

20           But thank you for this presentation. It's  
21 very helpful.

22           MS. COHEN: Excellent. Thank you.

23           Mr. Vazquez.

24           I'm sorry, Mr. Epolite, did you have  
25 something?

1                   And then, Mr. Vazquez, we'll close with you.

2                   MR. EPOLITE: I just want to chime in as  
3 well and thank you and Member Vazquez and your staff for  
4 putting these work groups together. I know that was a  
5 lot of effort on your parts. So thank you.

6                   MS. COHEN: Thank you for recognizing that.

7                   MR. VAZQUEZ: Thank you.

8                   And thank you all, especially our Chair for  
9 putting this together. Because the logistics, I know,  
10 it's a nightmare with some of these folks, as you saw,  
11 with many of our speakers.

12                   But one of the things that -- and just  
13 thanking for those hopefully that are still listening,  
14 those that may have spoke today or in the previous  
15 hearings, for your time and efforts, and sharing your  
16 ideas and expertise on this item.

17                   And in short -- in this short time, one of  
18 the things that came up to me is there was kind of three  
19 areas that kind of hit me as we were listening to the  
20 hearings over the last few months here. One of them was  
21 streamlining. Seemed to be one that we really need to  
22 look at.

23                   The other one was the cost effectiveness,  
24 and then public accountability. And in terms of  
25 streamlining, I think the Governor, the Senior Housing



1 Advisor said streamlined efforts are the secret  
2 ingredients to success in incentivizing affordable  
3 housing.

4           The majority of the speakers over the past  
5 three months have asked us to streamline our exemption  
6 application and our approval process, both for the  
7 BOE and the assessors, on the cost-effective side, the  
8 size and extent of the terms and parameters of an  
9 exemption or abatement based on what makes financial  
10 sense.

11           Let's incentivize various types of  
12 affordable housing, but not break the city's or county's  
13 or state budgets.

14           On the public accountability side, to review  
15 and ensure that every party involved in the exemption or  
16 abatement process is accountable in terms of the time,  
17 efficiency, in terms of the public benefit they provide,  
18 and in terms of reducing the burden of government agency  
19 bureaucracy. And to me, those are like the key things.

20           And I think, as Member Gaines mentioned, one  
21 of the things that we might want to look at, because I  
22 know in hearing, especially the speakers today, people  
23 are obviously a little bit nervous and worried about us  
24 taking away any potential revenue source.

25           So maybe where we -- one of the areas we can

1 bite off kind of in the short term, as we're thinking  
2 through some of the other potential incentives and  
3 abatements, is look at targeting those properties that  
4 are owned by cities, states, school districts, college  
5 districts, and the federal government in the state of  
6 California that are either vacant or underutilized.

7                   Because those are currently not paying any  
8 taxes now. So that wouldn't create any kind of an  
9 impact -- or for those that are, depending on those  
10 revenue streams.

11                   So that might be one of the areas we should  
12 look at. And I'll bring it back to the Chair and -- for  
13 our next steps.

14                   MS. COHEN: All right. So our next steps  
15 right now, there are -- there's no further discussion.  
16 I'd like to go ahead and adjourn this portion of our  
17 work -- oh, excuse me.

18                   Ms. Stowers, are there any closing remarks  
19 that you want to make?

20                   MR. VAZQUEZ: I'm sure she has a few.

21                   MS. STOWERS: I have something to say, I  
22 believe. I will be brief.

23                   Thank you, Chair Cohen and Honorable Members  
24 of the Board.

25                   I want to thank you all for the

1 participation for today's hearing and the past two  
2 hearings. The information presented was very  
3 informative, very good and important dialogue. And I  
4 look forward to the Board's Work Group's next steps.

5 MS. COHEN: All right.

6 Thank you. Okay.

7 So Members have already spoken.

8 Ms. Stowers, thank you for your gracious  
9 words.

10 If there's no other further discussion, I  
11 hereby adjourn the Tax Abatement Board Work Group.

12 Thank you.

13 (Whereupon the Tax Abatement Board Work  
14 Group concluded.)

15 (Whereupon the California State Board of  
16 Equalization Meeting reconvened.)

17 MS. COHEN: Now, Ms. Cichetti, what I'd like  
18 to do is reconvene the Board of Equalization Meeting at  
19 this time.

20 Thank you. So we are reconvening.

21 Ms. Cichetti, could you please call the  
22 item.

23 **ITEM K1a**

24

25 MS. CICHETTI: We could go up to the L item,

1 which is the Board Work Group. Or did you want to go to  
2 your item that was tabled from yesterday?

3 MS. COHEN: I'd like to go to the item that  
4 was tabled yesterday to finalize that discussion. And  
5 it will be quick and brief. Quick and brief. Wow.  
6 That's -- that's fast.

7 May I begin?

8 MS. CICHETTI: I -- I -- I'm trying to  
9 think. You were on -- it was one of the K items.

10 MS. COHEN: I'm sorry. Yes, it was. I'm  
11 not rushing you.

12 MS. CICHETTI: Yes. Kla. It was from the  
13 Executive Director's section.

14 And the item that was tabled was that you  
15 were going to -- you were interested in --

16 MS. COHEN: What I -- let's see.

17 The K1 item was about the Board Outreach and  
18 Communication Work Group.

19 MS. CICHETTI: That's correct.

20 MS. COHEN: And Mr. Nanjo brought to my  
21 attention that work group plans or some kind of a  
22 framework is usually presented and/or discussed.

23 And so what I have for me is a motion for us  
24 to discuss. It's very simple. It's a clean outline.

25 And what I'd like to do is make a motion

1 that we establish a Board Outreach and Communication  
2 Work Group. And I move to create this work group per  
3 our charter, as required by the charter, I would also  
4 like to offer the following additional information:

5           The subject matter that we're going to be  
6 discussing will be the objective of the -- the objective  
7 of the work group is to leverage the resources of each  
8 Board Member's offices and the agency to become more  
9 effective in a Board for our outreach and communication.

10           May I continue? Okay.

11           The Chair, I have asked it be Member  
12 Vazquez. And this -- the reason why I reached out to  
13 Mr. Vazquez to ask him to Chair this is because, based  
14 on his responsibility in the strategic plan. He's the  
15 thought creator of the strategic plan. And part of the  
16 main takeaway of the strategic plan is the  
17 communications and outreach of the Board of  
18 Equalization.

19           The other item I'd like to talk about is the  
20 time frame. And, well, at this point, it's  
21 undetermined, with the goal of placing the agenda --  
22 something on the agenda starting next month for us to  
23 facilitate a discussion. And the membership will be all  
24 Board Members.

25           So the subject -- subject matter is going to

1 be working -- Board Members' offices working together  
2 with the agency for the outreach and communication.  
3 It's going to be chaired by Mr. Vazquez. The timeframe  
4 is undetermined.

5 But we have -- we'd like to place our first  
6 meeting -- or have our first meeting established next  
7 month on next month's agenda.

8 And all of us will be Members, all Board  
9 Members.

10 So I move that we create the Board of  
11 Equalization Outreach and Communication Work Group.

12 Is there a second?

13 MR. VAZQUEZ: I'm going to second it for  
14 discussion, and I have a question.

15 But go ahead. Are we good?

16 MS. COHEN: Please. Ask your question.

17 MR. VAZQUEZ: And I guess -- let me call up  
18 our legal counsel on this one.

19 So, Mr. Nanjo, can you help me -- or explain  
20 what's the difference between setting up a work group  
21 versus -- I think we already have a second day set up in  
22 our next Board Meeting where this could just be  
23 agendized.

24 Because we're all going to be included in  
25 either one, right? I think we all have to be included;

1 is that correct.

2 MR. NANJO: The work group can be anywhere  
3 from one to five Members, or all the Members of the  
4 Board. It's up to however the -- the Board desires to  
5 set it up.

6 I believe you already have a subcommittee --  
7 or not subcommittee, but a group that's been designated  
8 as part of strategic planning, Member Gaines and  
9 Member Schaefer, that -- that kind of does something  
10 similar on communications.

11 So I'm not entirely clear what the  
12 difference is. It sounds like the motion that  
13 Chair Cohen is making is for a body to kind of get best  
14 practices.

15 And please correct me if I'm wrong,  
16 Chair Cohen, but best practices from the district  
17 offices, kind of share lessons learned, that kind of  
18 thing, to improve the communication and outreach of your  
19 individual offices, is what I was hearing.

20 Is that generally correct or --

21 MS. COHEN: Generally.

22 MR. VAZQUEZ: Let me ask the Chair.

23 MS. COHEN: Thank you. Let me --

24 MR. VAZQUEZ: Go ahead.

25 MS. COHEN: I heard the question.

1           So, first, I want to say the work group that  
2 was chaired by Gaines and Schaefer was specific to  
3 branding.

4           MR. NANJO: Okay.

5           MS. COHEN: What I'm proposing is a work  
6 group that would come together for communication and  
7 outreach. So building off of the work that we've  
8 already established from the previous work group is what  
9 I'm proposing.

10           And if you may recall, you had staff that  
11 participated. These two gentlemen led the conversation.  
12 They had their staff come, and they presented to us. So  
13 it's the same similar format.

14           This is actually not something new. We've  
15 had a couple work groups now at this point. It's -- and  
16 it's not for an indefinite amount of, you know, time.  
17 If we want to end it, we can end it.

18           But you will essentially be being the Chair.  
19 You will say, I'd like to -- the work groups are  
20 gonna -- the work group is going to come together.  
21 We're going to notice the public.

22           And that means all of us can be present.  
23 That means our staff can be there. Staff can be there.  
24 Or that means that you can start the meeting and staff  
25 comes in with ideas and start working on it.



1                   What the work group allows us to do is two  
2 things, one, to publicly notice that we are going to be  
3 getting together, and we're going to be talking about  
4 said topic.

5                   And, two, more flexibility to talk. If we  
6 come together at a Board Meeting as a Board, one, all of  
7 us must be present, and, two, we don't have -- we're  
8 not -- we don't -- we're restricted from having prior  
9 communication. We cannot talk about an agenda item,  
10 because -- prior to being into the chamber, because then  
11 we are in violation of Bagley-Keene.

12                   MR. VAZQUEZ: I'm good with that.

13                   I guess my question is more -- and I don't  
14 know if it's a legal question now. Now, more -- it's  
15 maybe the -- the name of the -- of this work group.  
16 Because I don't want to feel like I'm stepping over the  
17 committee that was already up and running on the  
18 other --

19                   MS. COHEN: Okay. Hold on.

20                   MR. VAZQUEZ: Maybe we call it something  
21 else.

22                   MS. COHEN: Okay.

23                   MR. VAZQUEZ: Since we're focused more on  
24 the affordable housing front, right? Is that what --  
25 because that's what I'm hearing that you want me to

1 chair, or no?

2 MS. COHEN: No, not necessarily restricting  
3 to affordable housing.

4 This team over here, these gentlemen  
5 actually dealt with branding, remember? They had USC  
6 come in.

7 MR. VAZQUEZ. Right. Right.

8 MS. COHEN: They had some experts come in  
9 and just talk about the Board of Equalization branding,  
10 and how we can come up with it.

11 This work group that I am suggesting that  
12 you head up is specific to outreach and communication.

13 So if you recall yesterday, Mr. Schaefer --  
14 I mean, Mr. Gaines was talking about how he puts  
15 together a newsletter.

16 I don't know if you put together a  
17 newsletter. I put together a newsletter. But we don't  
18 have that flexibility to talk about and to share and --  
19 and talk about what we're doing, for fear of violation  
20 of -- of -- of Bagley-Keene. And the -- the work group  
21 will allow us a space to -- to come together, come to  
22 ideas.

23 The Board of Equalization has an outreach  
24 strategy. They have -- they have a staff person, so  
25 that the work that Mr. Gaines is doing could be

1 complementary to the State Board of Equalization, and  
2 vice versa. And just having this conversation again in  
3 a public setting as opposed to behind closed doors,  
4 possibly in violation of Bagley-Keene.

5 MR. VAZQUEZ: I guess my -- I'm a little bit  
6 confused. Because I'm -- I'm interested in doing the --  
7 running the -- being the chair. But I want the focus to  
8 be on what we were discussing, the housing, the  
9 affordable housing piece, and how we're going to do the  
10 tax credits and abatement. I'm not --

11 MS. COHEN: We already have an affordable  
12 housing work group. We're in it. We just convened it.  
13 That exists already.

14 This would be a third work group. So we  
15 have a brand --

16 MR. VAZQUEZ: To do -- to do communication  
17 and outreach?

18 MS. COHEN: Correct. Correct.

19 MR. VAZQUEZ: Well, I'm not interested in  
20 chairing that, if that's what it is.

21 MS. COHEN: Okay. Thank you. All right.

22 MR. VAZQUEZ: If it's the affordable  
23 housing, I'm -- I'm ready to go. I'll roll up my  
24 sleeves.

25 MS. COHEN: I'm Chair of the Affordable

1 Housing Work Group, so you can't have that.

2 MR. VAZQUEZ: Okay.

3 MS. COHEN: So now --

4 MR. VAZQUEZ: For a couple of months.

5 MS. COHEN: For a couple months.

6 But -- but with all -- with all -- but the  
7 work still needs to be done.

8 So please -- please do the branding -- I  
9 mean, please do the out -- please do the outreach and  
10 communication. It's important to me. Please. I'll  
11 help you.

12 MR. VAZQUEZ: I'm just -- I just -- it feels  
13 like I'm stepping on their toes. That's -- that's why.

14 MS. COHEN: Okay. Well, let me -- let me --

15 MR. VAZQUEZ: Let's hear from the other two  
16 Members. That's all.

17 MR. GAINES: I thought we were doing both  
18 communications and branding. I thought that was part of  
19 our charge when we made our presentation.

20 So it does seem to duplicate what we've  
21 done. But I like the idea about talking about it with  
22 all of us at a meeting, right?

23 And so if that's something that could be  
24 agendized and brought forward, I would -- I guess I'd  
25 like clarity through Mr. Nanjo in terms of the

1 differences of means of communication for, you know, if  
2 we just agendized an item, we can't discuss that with  
3 more than one other Member prior to the meeting, the  
4 public meeting.

5           But if we -- if you put a work group  
6 together, is that different in terms of our ability to  
7 communicate?

8           MR. NANJO: Not -- there -- there may be a  
9 tiny bit more flexibility, but not really.

10           If it's a work group of all five Members,  
11 then anytime the five Members are talking about  
12 something that comes before the Board, that would be an  
13 item that's subject to the Bagley-Keene rules.

14           One of the things I could suggest is if you  
15 want to have an opportunity to talk about the concept of  
16 this work group and kind of goes -- goes -- go over the  
17 scope, one of the things that's contemplated in the  
18 structure, Board Work Group structure document that this  
19 Board has already approved is the concept of put --  
20 bringing it up as an L item, and then you -- you  
21 would -- the Members would be free to kind of work out  
22 the details at an L item. That's one option.

23           I don't want to step on the Chair's toes.  
24 It sounds like she has kind of a plan built out. And  
25 just so that we're protecting ourselves vis-à-vis

1 Bagley-Keene, the structure talks about three ways that  
2 a work group can be formed.

3 One is through an L item that's put on the  
4 agenda and the Board Members discuss it. And if they  
5 say, this is a great idea, we'll do a work group, a work  
6 group can be formed.

7 Another way that's specifically contemplated  
8 in the structure is through an agenda item. And in this  
9 case, the Executive Director has, I believe, spoken at  
10 least two meetings now on the concept of communications  
11 and outreach. It's been something that's of interest to  
12 this Board. And I think yesterday in her report she  
13 talked about the concept of possibly having a work group  
14 on it, and -- and some parameters around that.

15 So of course that's another place where this  
16 Board can go ahead, as Ms. Cohen, our Chair, has done,  
17 and said, let's go ahead and set a work group along  
18 those lines.

19 So it is really the Board's option on which  
20 of those two methodologies they use.

21 MS. COHEN: Thank you.

22 You know, gentlemen, I just want to say that  
23 you sat here this month, last month, the month before,  
24 talking about how wonderful this was of a conversation  
25 and what outstanding leadership is. I am the Chair of

1 this body, and I'm providing leadership and guidance for  
2 this. If you don't want to do it, you don't want to do  
3 another work group, that's under -- I understand that,  
4 and I -- I will fall back. We don't have to do this.

5 But I also want to just really highlight  
6 that I think I've done a good job. My team has done a  
7 very good job in providing leadership and stability to  
8 this -- to this -- to this body, and making sure that we  
9 are -- this body is taken seriously, not only in the  
10 Department of Finance's eyes, the Governor's eyes, and  
11 the Legislature's eyes.

12 And so I am not quite sure why it's so  
13 confusing and so hard to understand. This is -- would  
14 be literally the third work group that we would be  
15 setting up.

16 But it sounds like there isn't an appetite  
17 for it. And -- and I'm okay with that. But I do want  
18 you to understand that we have a duty to always be  
19 transparent and to do work.

20 The number one question that you hear in the  
21 Legislature is "What do you do?" And so what I am doing  
22 is finding ways to show and to highlight how we do what  
23 we do. Not to mention, asking you guys to step up and  
24 be leaders, so that you are also able to show and  
25 demonstrate your leadership capabilities.

1           But if there is no appetite to do that, I am  
2 not going to force it. If you just want to continue to  
3 have one-day meetings, two-day meetings, and be in and  
4 out by noon, okay. But I think that it is to the  
5 detriment of this fine agency that we are all  
6 collectively working to rebuild.

7           Now, is there a second for the motion? Are  
8 we going to have the votes, or are we going to -- we can  
9 adjourn, and we can go on, and come back together next  
10 month.

11           MR. SCHAEFER: I have a question.

12           When we first got together in 2019, we took  
13 note of the fact that the prior BOE had committees. And  
14 we talked about having committees. Have we ever gone to  
15 the committee deal? I just heard of work groups.

16           MS. COHEN: Well, that's an interesting  
17 thing. We proposed it, and I didn't have the support  
18 from this body. So, as a result, I said, "Well, what  
19 about a work group?"

20           So there is friction that I don't understand  
21 when it comes to actually providing service to the  
22 people that we are representing.

23           So there's a motion that is on the table.  
24 And I'm going to restate this motion.

25           This motion is to -- to establish a work



1 group --

2 MS. CICHETTI: Before we go further,  
3 Ms. Cohen. I think it would be best for us to withdraw  
4 the first one from yesterday before you make a new one  
5 today.

6 MS. COHEN: Oh, I was unaware that it was  
7 still open.

8 MS. CICHETTI: It was still, because it was  
9 on the table.

10 MS. COHEN: I withdraw the motion that we  
11 were entertaining yesterday.

12 The motion that we entertained today is  
13 still a work group meeting for --

14 MS. CICHETTI: You could go forward now.

15 MS. COHEN: Thank you.

16 MS. CICHETTI: I just wanted to make sure --  
17 let's get it straight.

18 MS. COHEN: Okay. I appreciate that just  
19 for clarity and making sure our records are clean.

20 This is a work group structure that will  
21 focus on communication and outreach. And the subject  
22 matter is going to be -- to leverage resources from our  
23 office, as well as the agency.

24 And I have asked Vazquez to be the Chair,  
25 but I'm open to someone else being the Chair if he's not

1 interested in being the Chair.

2 MR. GAINES: I'm wondering if -- is this  
3 something that we could take a look at next month?

4 MS. COHEN: No.

5 MR. GAINES: Agendize it.

6 MS. COHEN: Nevermind. I -- I -- I rescind  
7 that motion off the table, and this meeting is  
8 adjourned.

9 Thank you.

10 (Whereupon the meeting concluded.)

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REPORTER'S CERTIFICATE

State of California )  
 ) ss  
County of Sacramento )

I, Jillian Sumner, Hearing Reporter for the California State Board of Equalization, certify that on September 28th, 2022, I recorded verbatim, in shorthand, to the best of my ability, the proceedings in the above-entitled hearing; that I transcribed the shorthand writing into typewriting; and that the preceding pages 1 through 230 constitute a complete and accurate transcription of the shorthand writing.

Dated: November 9, 2022

*Jillian Sumner*  
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JILLIAN SUMNER, CSR #13619  
Hearing Reporter