



10/20/2018

To: Board of Equalization

Dear State Board of Equalization Members,

The Community Land Trust Association of West Marin (CLAM) land trust operates in West Marin, Marin County. (See clam@pt-reyes.org).

We have 18 units of permanently affordable, community-controlled rentals, and we own the land under two homes owned by low income homeowners, with 99 year leases restricting resale to affordable prices. (We hope to acquire a former Coast Guard residential facility with 36 units of affordable housing in Point Reyes Station and we continue to seek to acquire houses for affordable homeownership throughout our service area.)

AB 2018 was intended to allow community land trusts to purchase more houses for affordable homeownership, with our homeowners paying property tax that reflects the restrictions on their resale price.

The issue before the BOE relates to the need to interpret AB 2818 to value CLT homes equitably and consistently throughout the State.

Because CLT homes are sold as a unit (i.e. the improvements and the leasehold estate are transferred together in the sales transaction), and the 99-year ground lease between the homeowner and the CLT restricts the home's resale value, the purchase price is the full consideration for both the improvements and the leasehold estate and should be the value assessed for purposes of property tax.

Future land lease payments constitute a fee to cover only the cost of administering the lease, and are not economic rent, and do not reflect the value of the land.

Because of the adverse impact of property taxes on CLT homeowners (who are low & moderate income, and in many cases very- low income), when land is assessed at market rates, the legislature enacted AB 2818 to ensure fair/equitable taxation of CLT homeowners, so that they would not be paying taxes on 'value' that they could never realize (i.e. they cannot sell their interest in the leasehold estate for anything above &

beyond the restricted sales price). Using the purchase price is the most appropriate, easiest and cleanest method for Assessors to implement AB 2818.

The BOE staff proposal for assessing the land under the homes separately, using the band of investments method for deriving capitalization rate (and relying on California money market's rates) not only is fundamentally at odds with the underlying mission of CLTs (and their public purpose) but also ignores how CLT land acquisition is actually funded (i.e. largely through permanent subsidies, which unlike the bond issues represented in the California money markets, are not repaid through any revenue streams...least of all from land lease payments). Furthermore, the BOE's proposed method will result in inconsistent evaluation throughout the State.

Thank you for considering our comments.

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