



October 19, 2018

State of California
Board of Equalization
450 N Street
Sacramento, California 94279

**RE: October 23, 2018 Board Meeting
Item K – Issue Paper 18-001 Assessment of Community Land Trust Housing**

Dear Honorable Board Members Runner, Ma, Horton, and Harkey and Controller Yee,

I am writing to share both our concern for the Staff Recommendation contained in Issue Paper 18-001: Assessment of Community Land Trust Housing and strong support of the Alternative proposal in Attachment B. Our organization, the Oakland Community Land Trust, has been actively engaged with other CLTs, BOE staff, and several Assessors in an Interested Parties Process related to Assembly Bill 2818.

I first want to express our gratitude to BOE staff for their professionalism and courtesy in working with community land trust organizations across California on this incredibly important issue. We are truly appreciative of the process afforded to this issue through the Interested Parties Process and LTA drafting.

With that said, we continue to take issue with the Staff Recommendation related to guidance on AB2818 and the assessment of community land trust properties. As small nonprofit organizations located throughout the state striving to create permanently affordable housing for low-income families, we acknowledge that we are not experts in property tax assessment, despite having worked diligently to understand the assessment process and related laws and codes. However, we are experts in the acute impacts of property taxation on the low-income homeowners with whom we partner to permanently steward land for public benefit.

The Staff Recommendation in Issue Paper 18-001 effectively mirrors the procedure the Alameda County Assessor currently utilizes to assess Oakland Community Land Trust homes; this procedure was the impetus for our organization to pursue legislative relief that ultimately resulted in the passage AB2818 in coalition with our partner CLTs in the California Community Land Trust Network. The assessment regime suggested in the Staff Recommendation has the real, on-the-ground impact of over-taxing low-income homeowners; the assessed value of both the home and the underlying land exceeds the durably restricted value of the entire property. The result is that our low-income CLT homeowners pay property taxes based on an elevated value that they can *never* realize – a gross inequity that acts to erode the charitable purpose of CLTs to permanently steward affordable homeownership opportunities. This inequitable over-taxation also has the effect of diminishing the public investment (often City and County funds) made into creating these affordable homeownership opportunities in the first place. A key task of CLTs is to ensure that these scarce public investments serve family after family, generation after generation in a unique partnership with our local governments. The Staff Recommendation in Issue Paper 18-001 unfortunately works at direct odds with this mission and profoundly limits our ability to make permanent inroads on California's housing crisis.

We also remain concerned that the guidance to Assessors in the Staff Recommendation will not solve the outstanding issue of disparate and inconsistent treatment of CLT properties from County to County, as the proposed procedure to value CLT land based on capitalization rates of California money markets is unpredictable and inappropriate in the context of the charitable purpose of community land trusts to preserve land for permanent public benefit.

In contrast, we support the alternative to the Staff Recommendation outlined in Attachment B of Issue Paper 18-001. When the Oakland Community Land Trust sells a home to a qualified low-income family, we transfer the improvements via a grant deed and the leasehold estate through a 99-year ground lease to the purchaser. The affordable purchase price is calculated—often in coordination with our local government partners—to be inclusive of the home and leasehold estate. Further, the potential resale price for the home and leasehold estate is purposefully restricted in the ground lease to ensure that the property will remain affordable to other low-income families if and when the original buyer chooses to sell; they cannot realize any value above the formula resale price. For these reasons, we firmly believe that the durably restricted price of CLT properties (inclusive of land and improvements) is the appropriate, equitable basis for assessed value. This ensures that low-income CLT homeowners pay their fair share of property taxes based on the value they actually own, but no more.

We appreciate your thoughtfulness and attention to this matter of urgent statewide importance. Please feel free to contact me at any time if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Steve King". The signature is written in a cursive, slightly slanted style.

Steve King
Executive Director

cc: Joann Richmond-Smith
Dean Kinnee