



**Sacramento County
Office of the Assessor**

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David Yeung, Chief
County-Assessed Property Division
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450 N Street, P.O. Box 942879
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RE: Assessment of Community Land Trust Housing
Draft LTA (ab2818-reviseddraftlta.pdf)

Dear Mr. Yeung,

This letter is in response to the request for alternate language regarding the guidance to assessors on the assessment of Community Land Trust Housing. Additions are highlighted in **Blue** with underline, and deletions are highlighted in **Red** with ~~strikethrough~~.

On P. 3

6 **Assessment Treatment**

7 Assessment of Improvements and Leasehold Estate

19 For purposes of the purchase price presumption, the "total consideration provided by the
20 purchaser" of a home subject to a CLT ground lease will generally be the agreed-upon purchase
21 price. Therefore, the valuation of the improvements and leasehold estate sold subject to CLT restrictions
should be
22 based upon the ~~individual improvements~~ agreed-upon purchase price unless it can be shown through sales
of
23 similarly restricted properties that the purchase price is not full value. The assessment for the Improvements
and Leasehold Estate should then be allocated between the improvements and land, with the allocation to
the land reflecting the terms, constraints and restrictions of the CLT ground lease pursuant to the following
section.

25 Assessment of (Allocation to) Underlying Land Parcels

On P. 4

Consider renaming the section entitled "*Capitalization Rate*" to "*Income Approach to Value*". As presented, it only addresses the value of the income stream (lease payments) from the homeowner to the CLT. While only considering the value of the lease payments (when not judged to be "de minimis") is appropriate to valuing the Leasehold Estate (tenant's interest), both lease payments and the value of the reversion may be considered when lease payments are not de minimis and valuing the corresponding property interests held by the CLT (lessor) is supported. While it is understood that the intent of the CLT's is to operate only to create affordable housing opportunities and not create inequities, the guidance show consider the possibility that lease payments are not de minimis in nature and/or the leases might not be renewed.

Given the foregoing, the following alternate language is suggested:

- 5 ~~Capitalization Rate~~ Income Approach to Value
6 The lack of meaningful data on sales of similarly restricted properties brought about by the
7 affordability restrictions on homeowner resales means that the Income Approach to value would be the
appropriate method to valuing the Leasehold and/or Leased Fee interests when the lease payments are not
judged to be of a de minimis nature. Of the two authorized methods for
8 computing a capitalization rate, only one – the band of investment technique – is of practical
9 import for purposes of capitalizing the lease payments and/or reversion for lands leased from/by CLTs.
Accordingly

In addition to the foregoing alternate language, we strongly recommend that the LTA include some illustrative examples showing how the Assessment Treatment guidance would be implemented. Examples would include hypothetical purchase prices and ground lease terms (payments), etc.

It may also be helpful to include reference to guidance found in Chapter 5: Leases (p. 33 & 34) of Assessor's Handbook 401, Change in Ownership regarding the Homeowners' Exemption Presumption for leased land on which homes are located.

Thank you for the opportunity to present the foregoing recommendations. Please feel free to contact me with any questions or concerns.

Respectfully Submitted,



Jim Glickman, MAI
Chief Real Property Appraiser

cc: Angie Berry, Senior Specialist Property Appraiser, Board of Equalization
Mark Nisson, Property Tax Technical Advisor, Board of Equalization
Christina Wynn, Assessor, County of Sacramento