

From: Bruce Wolfe [<mailto:sfclt@brucewolfe.net>]
Sent: Sunday, October 21, 2018 12:13 AM
To: Richmond-Smith, Joann; Kinnee, Dean
Subject: Letter To Assessors for AB 2818 - Community Land Trusts

(Please forward to Directors. Thank you in advance. ~Bruce)

Dear Board of Equalization Directors --

Hello! My name is Bruce Wolfe. I am currently the president of SF Community Land Trust (SFCLT) and contacting you today as board member and treasurer of CA Community Land Trust Network (CACLTN).

We're contacting you today regarding the upcoming Letter To Assessors (LTA) before you being considered on Tuesday's Board of Equalization's agenda for California's Community Land Trusts.

We would appreciate your support for this plus inclusion of one specific provision we are seriously in need of: That the restricted purchase price should be presumed to include the value of combined land & improvements. A little about us:

CACLTN is a regional group of community land trusts (CLT) based in California. Our members include a diverse and inclusive group of organizations that span California from Humboldt and north to San Diego and south along with dozens of cities and counties in between whom collectively steward *permanently* affordable homes and community facilities, housing thousands of Californians, and represent well over \$100,000,000 of community assets. With over 15 established groups state-wide and several more emerging CLT's are an essential part of solving California's affordability crisis for housing and community facilities. We mostly fill the gap from single family homes to small apartment buildings of 100 units or less. This is an area widely under-utilized for affordable housing. CLTs are well-experienced in this lost area of the economic and housing safety net to create or preserve truly affordable housing *in perpetuity*.

Our mission:

The CA CLT network provides a regional peer-to-peer forum for California-based Community Land Trusts to:

- Serve as a state-wide means for established and emerging CLT's to share resources, information, tools, and best practices
- Share information on policy issues of interest to California based CLT's and allied organizations
- Organize in-person state-wide meetings for CLT staff, board and residents
- Educate elected officials, policymakers, decisionmakers and members of our state-wide community about Community Land Trusts
- Support the establishment of new and emerging CLT's upporting groups

- Sponsor and monitor legislation, policies and regulations at the state and local levels relating to CLTs and affordable housing
- Develop a state-wide small site housing acquisition fund or endowment for the creation of permanently affordable housing that uses the CLT model to guarantee affordability including condominiums, cooperatives and shared housing models, and single family homes *in perpetuity*

As you may know, CACLTN was successful in sponsoring AB 2818 (Chiu/Thurmond-2016) which was passed by the Legislature and signed into law by Governor Brown codifying the existence of CLTs in California and provisions for fair and equitable taxation to low-to-moderate income residents, both homeowners and renters. It amended Section 402.1 of the Revenue and Taxation Code.

Currently, we had many meetings over the past year with your BOE staff and statewide representatives of elected CA Assessors to craft a salient Letter To Assessors (LTA) providing guidelines on implementing AB 2818. We have come to many agreements and few provisions still needing to be considered.

One major area still of concern to CACLTN members is the restricted purchase price should be presumed to include the value of combined land & improvements.

Some background: CLT homes are sold as a unit, i.e. the improvements and the leasehold estate are transferred in the sales transaction, and thus the purchase price is the full consideration for improvements & leasehold estate. The future land lease payments are not economic rent, do not reflect the value of the land, and cover only a portion of the cost of administering the land. The title is split between land & improvements in order to have the strongest mechanism possible to enforce permanent affordability.

Because of the adverse impact on CLT homeowners (who are low- & moderate-income, and, in many cases, very low-income), the Legislature enacted AB 2818 to ensure fair and equitable taxation of CLT homeowners, such that they would not be paying taxes on 'value' that they could never realize (i.e. they can not sell their interest in the leasehold estate for anything above & beyond the restricted sales price). Thus, as sponsors, we pushed for inclusion of specific language in AB 2818 explicitly stating that the restricted purchase price should be presumed to include the value of combined land & improvements. The fact that the language was, in the end, watered down (removing that explicit definition) is not indicative of a change in legislative intent, but rather of political expediency, and unfortunately, a lack of understanding and patience on the part of some committee staffers.

The BOE staff proposal for assessing land 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 funded which is 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.

Again, CACLTN would enjoy your support to provide strong guidance and advice that the restricted purchase price should be presumed to include the value of combined land & improvements. Your support will allow CLTs to remain successful and flourish around the state as a viable element in preventing evictions and promoting for small sites.

Sincerely,



Bruce M. Wolfe, M.S.W.

Treasurer, CA Community Land Trust Network <https://cacltnetwork.org>

President, SF Community Land Trust <https://sfclt.org>



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