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

JUNE 25TH, 2024

CALIFORNIA STATE BOARD OF EQUALIZATION
BOARD MEETING

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ITEMS 4, 5, 6 AND 12

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REPORTED BY: Jillian M. Sumner, CSR NO. 13619

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APPEARANCES

For the Board of
Equalization:

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Chair

Honorable Ted Gaines
Vice Chair

Honorable Antonio Vazquez
Third District

Honorable Mike Schaefer
Fourth District

Hasib Emran
Appearing for Malia M. Cohen
State Controller
(per Government Code
Section 7.9)

For the Board of
Equalization Staff:

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Executive Director

Lisa Renati
Chief Deputy Director

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Chief
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David Yeung
Deputy Director
Property Tax Department

Mary Cichetti
Clerk
Board Proceedings and
Support Services

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STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO
JUNE 25TH, 2024

---o0o---
ITEM 4
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MS. LIEBER: Our next item up is Item 4.

This is the Property Tax Legislation, an update on AB 1879 and 1868.

I see Mr. Angelo approaching.

MR. ANGELO: Good morning, Chair Lieber and Members.

Ted Angelo with the Legislative and Research and Statistics Division.

This agenda, these two items on the agenda are usually part of my legislative update. And they were -- they were put on the agenda for information. They are not action items from my recollection. But I'm just going to give a brief update on these two proposals.

The first, AB 1879 by Assemblymember Gipson regarding electronic signatures, I discussed at last month's Board Meeting.

This bill is scheduled for Senate Rev. and Tax

1 on June 26th. So coming up this week. And there's a
2 lot of activity this week that I'll cover later in my
3 legislative overview as we come up on deadlines before
4 they go on summer recess.

5 But AB 1879 is sponsored by the California
6 Assessors' Association, and it further extends the
7 authorization of electronic signatures in property tax
8 transactions.

9 The May 23rd amendments require a county
10 assessor to accept an electronic signature from a
11 taxpayer if the assessor authorizes the submission of a
12 BOE form electronically.

13 An additional amendment on June 13th allows an
14 assessor to charge a reasonable fee for costs associated
15 with accepting an e-signature.

16 So there are certain formatted protections in
17 place for e-signatures, and there can be costs
18 associated with that. So that would be able to offset
19 for some of the rural counties and smaller counties any
20 costs associated with that if a consumer taxpayer wants
21 to submit it that way.

22 It's a permissive statute proposal. So they
23 don't have to accept that. But if they do accept BOE
24 forms electronically, they would have to accept
25 e-signatures.

1 And, again, the electronic signature would
2 need to be authenticated in a manner that is approved by
3 the BOE, which is current -- the current statute
4 authorizes that, and this would kind of further enhance
5 that.

6 So if there's any questions on that particular
7 measure. I can move to the next one, if not.

8 MR. SCHAEFER: I have a question.

9 MS. LIEBER: Mr. Gaines and then Mr. Schaefer.

10 MR. SCHAEFER: Yes.

11 MS. LIEBER: Oh, pause for a minute, please.

12 Mr. Gaines was the fastest finger.

13 MR. GAINES: Oh, okay. Thank you.

14 MS. LIEBER: Sorry.

15 MR. GAINES: Quick draw. Thank you.

16 I just wanted to clarify on the fee issue.

17 You mentioned that it was to offset costs. So
18 I would imagine that these counties are having to
19 upgrade their technology in order to provide electronic
20 signatures. And as a result, a fee being charged that
21 would justify -- I just want to -- I guess what I want
22 to clarify is that there's a direct correlation between
23 the fee and the improvement to the office.

24 MR. ANGELO: I can't speak to that, because I
25 don't have information about what technological

1 impediments they might have. I just know there are
2 costs associated with the e-signature verification
3 process, and there are certain licenses that allow for
4 them. And we have to, at BOE, approve and authorize
5 them.

6 MR. GAINES: Sure.

7 MR. ANGELO: Mr. Yeung has information about
8 the historical context involved.

9 MR. GAINES: Yes.

10 MR. ANGELO: But there -- I have not had
11 direct contact with the California Assessors'
12 Association telling me exactly which counties may not
13 have the technological capability or to deal with the
14 cost involved.

15 MR. GAINES: Okay. All right. Thank you.

16 MR. YEUNG: Yes.

17 Good morning, Honorable Board Members.

18 David Yeung, Deputy Director of the Property
19 Tax Department.

20 If I could, I just would like to fill you in a
21 little bit on the details of that.

22 So right now the way things are set up is that
23 there is a whole range of services that counties will
24 offer. Some counties have fully adopted what they call
25 the digital signature. And it's usually by a vender

1 that does this, such as DocuSign.

2 MR. GAINES: Okay.

3 MR. YEUNG: They already pay a fee in order to
4 accept those signatures. And so that's already built
5 into their cost structures.

6 Some counties now already charge a fee for
7 electronic signature. Electronic signature is already
8 permitted under current law. But it's only permitted
9 for one form, and that's the 571-L, the Board form that
10 is the Business Property Statement.

11 So if the assessors elect, they can ask the
12 Board to approve their method of accepting that form.
13 It does not have to meet the requirements under the
14 digital signature.

15 So what this bill wants to do is expand that
16 authority, that e-signature, to cover other forms that
17 the Board prescribes.

18 So even with that type of acceptance of that
19 e-signature, there still may be costs associated with
20 basically setting up the system, maintaining the
21 system --

22 MR. GAINES: Sure.

23 MR. YEUNG: -- and basically processing it
24 once they receive it.

25 So it's just a permissive provision to allow

1 them, if there are costs, they are allowed to pass on
2 reasonable cause to the filer of that form.

3 MR. GAINES: That's great. I just wanted to
4 make sure there's a nexus.

5 MR. YEUNG: Yeah.

6 MR. GAINES: There's a Supreme Court decision,
7 Sheetz v. El Dorado County.

8 MR. YEUNG: Right.

9 MR. GAINES: Which is in my district, that,
10 you know, the plaintiff won --

11 MR. YEUNG: Yes.

12 MR. GAINES: -- in the U.S. Supreme Court.

13 MR. YEUNG: Right.

14 MR. GAINES: And they're saying there has to
15 be a nexus between --

16 MR. YEUNG: Correct.

17 MR. GAINES: -- the fee charged and the
18 services provided.

19 MR. YEUNG: Correct.

20 MR. GAINES: Which is gonna -- is going to be
21 interesting to see what happens, you know, nationally.

22 MR. YEUNG: Yeah.

23 MR. GAINES: And since I live in California,
24 right here in California, with regards to that.

25 So I'm just asking the question. I love the

1 bill.

2 MR. YEUNG: Right.

3 MR. GAINES: I think the bill makes a lot of
4 sense. I just want to --

5 MR. YEUNG: Yeah.

6 MR. GAINES: -- clarify that.

7 MR. YEUNG: Yeah. There -- I'm familiar with
8 the case, and it should be -- it should be interesting,
9 the implementation of it.

10 MR. GAINES: Yes.

11 MR. YEUNG: But you are -- you are correct.

12 MR. GAINES: Wonderful.

13 MR. YEUNG: It will open up some options.

14 MR. GAINES: Yeah. Okay. Very good.

15 Thank you.

16 MS. LIEBER: Thank you.

17 Mr. Schaefer.

18 MR. SCHAEFER: Yes. Thank you.

19 I think this is a step in the right direction.

20 I want us to feel as though that we don't have to
21 recover all of our cost. If we just require some of the
22 cost in determining what we're going to charge the
23 taxpayer or the customer.

24 You know, there are a lot of things in
25 government where we might make copies for five or ten

1 cents of a public document, it may cost us really more
2 than that to make it, given the expensive cost of ink
3 and everything. But we just set it at five or ten
4 cents, because that facilitates public access without
5 making it unduly expensive. So I'm in favor of
6 recovering some of our costs, instead of every penny of
7 it.

8 And then I also would like to give more
9 discretion to the assessors as to when they want to use
10 electronic signatures.

11 You say here they must be on forms approved by
12 the State Board. What if one of our assessors has
13 dreamed up a form that's working very well. Let's say,
14 Jeff Prang in Los Angeles. But it has not yet been
15 approved by us.

16 I -- I don't know that we really need to be
17 approving everything an assessor wants to use. I like
18 to think that the assessors know really more than we do
19 about what they're doing. And I would give them a
20 little discretion in forms that they want to work with
21 without feeling everything has to come across my desk.

22 Thank you.

23 MS. LIEBER: Thank you.

24 Okay. If there's no other further discussion
25 about AB 1879, then we'll go to 1868, Ms. Friedman's

1 bill.

2 MR. ANGELO: Sure.

3 So on AB 1868, this is the, otherwise known
4 as, the Habitat for Humanity model proposal.

5 It was -- passed the Senate Rev. and Tax
6 Committee on June 16th, and it was up in Senate
7 Appropriations yesterday, and it was referred to the
8 suspense file.

9 It doesn't have a very significant price tag.
10 But a lot of bills that, you know, because of the budget
11 situation we're in right now, are being referred to
12 suspense, even at lower thresholds.

13 So this bill is intended to codify best
14 practices and provide more clarity and consistency for
15 the valuation process for properties under the Habitat
16 model. Properties that satisfy specific welfare
17 exemption provisions of Rev. and Tax Section 402.1 shall
18 rebuttably be presumed to include only the restricted
19 value, which would exclude the deed of trust contractual
20 covenants and forcible restrictions in most
21 circumstances.

22 So these are the particular contractual
23 affordability requirements, or enforceable restrictions,
24 often referred to in the Habitat model and somewhat
25 unique to them. It's a clarification.

1 There was prior legislation that required
2 assessors to look at these factors. And this one puts a
3 rebuttable presumption in place.

4 MS. LIEBER: Okay. Thank you.

5 Any discussion?

6 Mr. Vazquez.

7 MR. VAZQUEZ: Just a quick question.

8 Thank you for your presentation on that.

9 But I just want to be clear. You know, I know
10 Habitat for Humanity, you know, is affiliated with the
11 sale of about 100 homes annually across the state.

12 The contracts they use to restrict the homes
13 apparently vary among the counties. And even county
14 practices vary.

15 I'm very sympathetic, and would like to see
16 this bill move forward, but it seems like the staff and
17 the assessors had some concerns with the rebuttable
18 presumption that you just mentioned. And I'm just
19 wondering, because it -- it sounds like this one size
20 doesn't fit all.

21 So moving forward, I guess -- and I don't know
22 if this is a question for Mr. Yeung or Mr. Angelo on
23 this, could you please explain what would happen with
24 this.

25 MR. ANGELO: I'll just speak to the political

1 side of it first, before Mr. Yeung gets into the
2 technicalities.

3 MR. VAZQUEZ: Yes.

4 MR. ANGELO: But I had not heard of any
5 opposition from any assessor --

6 MR. VAZQUEZ: Okay.

7 MR. ANGELO: -- or assessors group with the
8 latest version of the bill. So if that's the case, and
9 there are concerns, I'll take a look and see if there's
10 some kind of lay concerns being relaid to the
11 committees. But I haven't heard of them.

12 And the bill was moving with no opposition in
13 terms of votes, and stayed in committee opposition.
14 So --

15 MR. VAZQUEZ: Well, that's good to hear.
16 Because I -- I think it was early on I was hearing this.
17 So maybe they resolved those issues.

18 MR. ANGELO: I believe they did, but I can't
19 go on record saying they are absolutely resolved. I
20 just haven't heard of them.

21 MR. VAZQUEZ: Appreciate it.

22 MS. LIEBER: Okay.

23 MR. VAZQUEZ: And then the other -- I guess
24 the other question I had is just, so it's saying in the
25 current law, establishing property value requires that

1 every contract that restricts property must be analyzed,
2 and to see that actually it does restrict the value.

3 Is that true moving forward, then, or is that
4 something for Mr. Yeung?

5 MR. YEUNG: If I may weigh in.

6 MR. VAZQUEZ: Yes.

7 MR. YEUNG: So every contract actually does
8 affect the value of the home, but the assessors are --
9 they're governed by a different set of law that requires
10 that you only consider certain types of contracts.
11 Usually it's contracts that are recognized as having the
12 force of government behind it.

13 So if you and I set up a contract that somehow
14 restricts the value of your home, the assessors may not
15 need to recognize that.

16 Let's say I sell you my house, and in that --
17 in the sales contract, I restrict what you can do there
18 on Sundays. You can't watch football. That may
19 actually have a real affect on what the property is
20 worth. But the assessor does not need to recognize
21 that.

22 But certain contracts that have the force of
23 government behind it, you do have to recognize. What
24 the 402.1 did with the Habitat, and -- and the large
25 extent, the CLTs, the community land trust folks, is

1 that they said this type of contract, you have to
2 recognize the restrictions on -- on -- on the property,
3 and their low-income restrictions.

4 So you are -- your prior comment, you are
5 correct. Habitat has, over the years, their model of
6 homes and how they restrict it has evolved. And some of
7 them are different from other locals.

8 Each local, each Habitat has their own region
9 and their own areas. And their contracts may vary a
10 little bit. But what this legislation is trying to do
11 is they're trying to add a little bit of uniformity to
12 it.

13 So when you have something that sells, and it
14 comes with this restriction on there, and that -- and
15 that restriction comes with basically a trust deed, a
16 second on it, that says, "Hey, look, this home has to be
17 either owner-occupied. You can't rent it out. You have
18 to sell it to somebody else who is similarly qualified,
19 if you want to sell it," that contract needs to be
20 looked at.

21 And sometimes that contract comes with a trust
22 deed that maybe actually have money attached to it.

23 You can get a home that says, "If you breach
24 these contracts, you're going to owe us whatever the
25 trust deed is, \$100,000, \$50,000. Whatever it is."

1 What this legislation is trying to do is to
2 say, "Hey, look, if this is that type of contract, and
3 it's for \$100,000 or \$50,000, that it's only for the
4 enforcement of low-income restrictions, then you don't
5 add that into the sales price."

6 So if you bought the home for \$50,000 down,
7 the first deed of 200,000; and there's this other
8 contract, this other deed out there for another 50,000,
9 you don't get to add that in. The presumption is that
10 that is only for enforcement, and you don't consider it
11 until you can rebut that presumption.

12 That -- that is -- should be added in. It
13 just tilts it into the favor of the taxpayer.

14 So it adds -- it's trying to add a little bit
15 of uniformity and guidance to how these homes are valued
16 for property tax purposes.

17 MR. VAZQUEZ: Yeah. It makes sense.

18 Because I know -- at Habitat for Humanity
19 does -- you know, they have, like, this sweat equity
20 kind of --

21 MR. YEUNG: They do.

22 MR. VAZQUEZ: -- you know, contract they put
23 together.

24 MR. YEUNG: Yeah.

25 MR. VAZQUEZ: Because I remember volunteering

1 on a couple of their projects years ago.

2 MR. YEUNG: Exactly.

3 MR. VAZQUEZ: Which is good, because it allows
4 folks to get into homes.

5 MR. YEUNG: Right.

6 MR. VAZQUEZ: But you're right, you know, if
7 they try to flip it --

8 MR. YEUNG: Yeah.

9 MR. VAZQUEZ: -- it has these restrictions.

10 MR. YEUNG: It has these restrictions. Yeah.

11 MR. VAZQUEZ: Well, that's good.

12 MR. YEUNG: And the way they enforce it is
13 with that type of silent second.

14 MR. VAZQUEZ: So this sounds like it's just
15 trying to just tighten it up somewhat.

16 MR. YEUNG: Yeah. It's tightening it up, and
17 it's adding a little bit more guidance.

18 It's not an absolute. It is a rebuttable
19 presumption. But it gives more guidance as to how to
20 value these things for property tax purposes.

21 MR. VAZQUEZ: Thank you.

22 MR. YEUNG: You're welcome.

23 MS. LIEBER: Okay. Thank you.

24 MR. ANGELO: I just have one comment for

25 Mr. Gaines --

1 MS. LIEBER: Yes, please.

2 MR. ANGELO: -- if I could.

3 Vice Chair Gaines.

4 MS. LIEBER: Please.

5 MR. ANGELO: Back to 1879, on the e-signature
6 bill, when you mentioned the Supreme Court was looking
7 at this, it's funny, because I remember there was a
8 Sinclair decision, which tried to clarify the difference
9 between a fee and tax.

10 And then something happened with -- I remember
11 speaking to the Rev. and Tax consultant about
12 propositions that cleared this up over the -- maybe
13 five, six, seven years ago. And now they're back at it
14 again.

15 So it's -- they're always trying to find to
16 make sure that, you know, a reasonable service is
17 involved when a fee is charged --

18 MR. GAINES: Right.

19 MR. ANGELO: -- to that fee versus just being
20 a flat tax.

21 MR. GAINES: Yeah. And that's --

22 MR. ANGELO: And it's been an ongoing thing
23 for like 20 years.

24 MR. GAINES: Yeah.

25 MR. ANGELO: And I just had to --

1 MR. GAINES: That Sheetz decision had to do
2 with a -- I think it was an older couple that had bought
3 a parcel of land, and they wanted to put a mobile home
4 on it.

5 MR. ANGELO: Right.

6 MR. GAINES: And they did that.

7 But the fee was, you know, the landowner
8 thought that was way out of whack with the amount of use
9 of transportation. It was a transportation fee.

10 MR. ANGELO: Right.

11 MR. GAINES: And he just thought that it
12 wasn't properly calculated based on his mobile home on
13 that property. And that's why -- so he paid it in
14 protest, and then challenged it legally.

15 MR. ANGELO: Thank you.

16 MR. GAINES: Yeah. Thank you.

17 MS. LIEBER: Well, thank you, Mr. Angelo and
18 Mr. Yeung.

19 And as was noted, this one is not an action
20 item, but we can touch base before next month's meeting
21 and see where the bills are at in the process.

22 And I know that they both have a great deal of
23 support, so they're gonna make it. But we can look at
24 the issue, whether or not we want to bring those back.

25 So thank you.

1 MR. ANGELO: Thank you.

2

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4 **ITEM 5**

5 ---o0o---

6

7 MS. LIEBER: And now we'll go to Item 5, Fair

8 Market Value Guidance and Methodologies for Properties

9 Negatively Impacted by Special Circumstances.

10 This will be presented by Mr. Vazquez.

11 MR. VAZQUEZ: Thank you, Madam Chair.

12 At the May 29th, 2024 Board Meeting, Member

13 Schaefer presented Item 20, Property Valuation or

14 Special Exemption, proposing discussion and possible

15 support for the -- a constitutional amendment, and our

16 legislation that would provide property tax relief when

17 a sexually violent predator, SVP, is released into a

18 specified area, and surrounding properties subsequently

19 experience a respective decline in value.

20 I appreciate Member Schaefer's efforts to

21 bring this issue into the light, as he cited SVPs

22 released into a community being a major factor in

23 decline of value factor to homeowners.

24 I, for one, have similar concerns affecting

25 homeowners and the resulting decline of value of their

1 property in my district, such as neighborhoods that have
2 meth or drug houses, a community taken over by rampant
3 gang activity, violent crime or theft, a home next to an
4 illegal dog breeding or kennel activities, or a
5 community experiencing high commuter traffic, because
6 the Waze traffic app detours traffic through communities
7 on a regular basis.

8 But before supporting legislation or other
9 property tax relief on this matter, I would like to
10 propose that if we can get our Executive Director
11 possibly and staff to do a little bit of research and
12 come back to us, possibly maybe even call for a hearing.

13 I don't know if Madam Chair, is this -- if
14 this is appropriate, that would come back to us. I
15 don't know how our schedule or our agenda looks like for
16 July or August. And see if it's warrant, what kind of
17 action, or if, in fact, it is a real big issue
18 throughout the state. It may be just happening in
19 certain counties.

20 So I'm kind of throwing it out there. And I
21 see our Executive Director coming up. So let me hear
22 from her.

23 MS. LIEBER: Okay.

24 Ms. Stowers.

25 MS. STOWERS: Good morning.

1 Yvette Stowers, Executive Director.

2 Regarding the issue, we are prepared to
3 provide an overview on how the property is valued,
4 current law, and we can do that at the July meeting.

5 I do not believe we're at the stage where we
6 need to have a special hearing or informational hearing
7 for this matter.

8 The assessors are aware of how to value
9 property. And they have not expressed any concerns or
10 identified any problems with the valuing property that
11 has been negatively impacted for various reasons.

12 But we're more than willing to provide a
13 primer to this body of how this -- how the valuation
14 takes place.

15 MR. VAZQUEZ: I would appreciate that, unless
16 Members have other --

17 MS. LIEBER: Yeah.

18 MR. VAZQUEZ: And I'm open, you know.

19 I don't know how it's -- if others have heard
20 about this, or if it's coming to your attention in your
21 respective districts. But --

22 MS. LIEBER: I think that would be helpful if
23 we can get that. And I know that Ms. Lee, the head of
24 the Assessors' Association, is to be here later today
25 possibly.

1 MS. STOWERS: I'm sorry, there's been a change
2 in schedule.

3 MS. LIEBER: Oh, I'm sorry.

4 Okay. And maybe we could get some comments
5 from them. Because it seems like there are hazards that
6 could affect a property negatively being proximate to a
7 slide area, or being in a wildfire area. And I'd like
8 to kind of talk with them about how -- how would you
9 work with something that is more changeable in nature.

10 So if an individual who's been adjudicated to
11 be identified as a sexually violent predator, if they're
12 renting versus if they're owning in the area.

13 And I know that they have -- since this item
14 has come up, I've had the opportunity to read a lot more
15 about individuals who are adjudicated to be termed
16 sexually violent predators.

17 And so there may be some differences in how
18 they're handled, how long they're in the community. Do
19 they go to the state hospital? All those kinds of
20 things.

21 But I do know from the experience of having
22 one person like that in my home county, that they are
23 very tightly monitored. And they do end up going back
24 to prison or the state hospital in a pretty timely
25 fashion.

1 But I don't know about the situation with dog
2 breeding outdoors, and could be cockfighting. It could
3 literally be anything. Or just very rundown properties,
4 you know. There's always a situation with properties
5 that are under code enforcement or become condemned.
6 And it's -- so it's very multifactorial.

7 But, Mr. Yeung, what would you like to say?

8 MR. YEUNG: Thank you very much for the
9 opportunity to address the Board again.

10 Once again, David Yeung, Deputy Director of
11 the Property Tax Department.

12 So in very big broad strokes, there's
13 basically two methods in which, currently, under
14 property tax law, you can provide relief for taxpayers,
15 property owners and whatnot, that have experienced a
16 decline in their value.

17 The very first way is, you've already
18 mentioned, is Prop. 8. It's already in statute. It's
19 in. We have rules. We have guidance. We actually
20 have -- it's been established very soon after Prop. 13
21 was -- was made law of the land.

22 So the assessors have a good understanding,
23 and, in practice, is already implementing Prop. 8s.

24 So in that case where something happens, a
25 predator moves into your neighborhood, and there is a

1 decline in value, the assessor is already charged
2 with -- on an annual basis during lien date. They look
3 at the neighborhoods and see if there's a decline.

4 If there is a decline, they would give you a
5 temporary reduction in your taxable value. So, as an
6 example, there are some limitations to that.

7 You and I, hypothetically, we live on the same
8 block. You've been in your house for about 30 years. I
9 just moved in. I paid \$800,000 for my house last year.
10 So I'm taxed at \$800,000. You've been there for a
11 little bit longer. You live there. Your taxable value
12 is \$250,000.

13 A predator moves into the neighborhood, and
14 it's demonstrated by sales, now houses just like ours
15 are selling for \$700,000. The assessor will come in,
16 take a look at that, and say, "Hey, values have
17 declined."

18 I, on one hand, am taxed at \$800,000. I would
19 get \$100,000 temporary reduction in my value for -- for
20 tax purposes. But because we're under Prop. 13, your
21 house is only taxed at 250. You may not get that same
22 benefit, because we're taxed at different -- it's a
23 comparison between factor base year value and the fair
24 market value.

25 So there is already provisions for that in

1 law. It's understood. There's lot of guidance out
2 there. And -- but it doesn't affect us equally.

3 The other model they have for a reduction for
4 something bad that happens to you is under basically
5 disaster relief. There's a body of law there also.

6 And that -- that addresses directly your
7 concern about if a fire happens, you get flooded, and
8 whatnot.

9 In that case, what the assessor does is that
10 they take a look at the difference between the fair
11 market value before and after the disaster happens. And
12 let's say there's a 20 percent reduction in value. They
13 would actually go in and give you a 20 percent reduction
14 in your taxable value.

15 So in the same scenario, 250,000 for you, and
16 800,000 for me, I would get 20 percent of 800,000,
17 \$160,000 reduced for my taxable value that year.

18 You, at 250,000, we suffered the same type of
19 damage, you would get \$50,000 reduced, 20 percent. So
20 it gives you a proportional reduction.

21 The only thing for that is, while the Prop. 8
22 is already in law and applies to this type of a predator
23 moving next door, the disaster relief does not
24 contemplate that. Disaster relief is required that you
25 have physical damage, and that you actually fit under

1 the definition of a disaster.

2 So while there are two models, one is already
3 in law and enforceable, the other one, we would need
4 something else to make it possible.

5 MS. LIEBER: And I know that Mr. Vazquez has a
6 question, but if might continue this --

7 MR. YEUNG: Of course.

8 MS. LIEBER: -- for one question.

9 Is -- so under Prop. 8 there is a role for the
10 property owner --

11 MR. YEUNG: Yes.

12 MS. LIEBER: -- to say yes or no, whether they
13 want their property to be down-valued.

14 If -- I'm contemplating a scenario where --

15 MR. YEUNG: Right.

16 MS. LIEBER: -- someone is in the middle of a
17 sale.

18 MR. YEUNG: Right.

19 MS. LIEBER: And maybe they do need to
20 disclose --

21 MR. YEUNG: Yeah.

22 MS. LIEBER: -- that. But if they want to
23 sell their home for what the market will bear.

24 MR. YEUNG: Yeah.

25 MS. LIEBER: And -- and so if they don't wish

1 to have their property devalued, then can they refuse
2 that service?

3 MR. YEUNG: They can most certainly ask the
4 assessor. But the assessor is bound by statute to
5 figure out what its fair market value is as of lien
6 date.

7 So if they find that it is lowered, I -- it
8 would be hard-pressed for an assessor not to give a
9 Prop. 8 reduction. I mean, it -- that will -- that will
10 be at the discretion of the assessor. But the statute
11 is pretty --

12 MS. LIEBER: And one more, if I might ask.

13 So it seems like the action cycle for the
14 people who have been adjudicated to not just be an
15 ex-offender, but they're deemed a sexually violent
16 predator, and it seems like they spend a short amount of
17 time in a community --

18 MR. YEUNG: Right.

19 MS. LIEBER: -- so how, like, would the
20 assessor find out there's an SVP, and now I down-value
21 the property? That SVP has left, I restore the value of
22 the property to where it was without him. But now, a
23 month later, somebody else comes.

24 MR. YEUNG: The -- that's a great point.

25 The administration, if this were the case, the

1 administration of it would require some real work.

2 You're absolutely right. The discovery
3 process is gonna be an issue. And are you -- with
4 Prop. 8 right now, we only have the option of doing it
5 on lien date. So it's every January 1 of each year.

6 So if something happens, and it comes in, the
7 relief is not immediate. You have to wait until next
8 lien date. And you only get to restore it upon the next
9 lien date. So you get it in one-year increments.

10 And you -- it's an excellent -- that actually
11 unfolds many things. If you have one move in, do you
12 get it? If you have two, do you get it twice? If you
13 have three, is there multiple times? So there are many
14 things to be -- to be asked and answered.

15 MS. LIEBER: Okay.

16 Mr. Vazquez, did you have a question?

17 MR. VAZQUEZ: You've answered a couple of
18 them, but you actually raised one.

19 And I was -- you know, because I was referring
20 to incidents like listed here, but the issue that now is
21 happening with all the floods and rains, like I'm
22 thinking in my district, we had a hillside in Palos
23 Verdes that just slipped out.

24 So at some point folks who were paying
25 property, you know, how do you value something that's no

1 longer there and doesn't exist?

2 MR. YEUNG: Yeah.

3 MR. VAZQUEZ: It's gone.

4 MR. YEUNG: Yeah. It is an issue. And
5 there's -- there's --

6 MR. VAZQUEZ: Is -- the prop -- you were
7 mentioning, though, the LTA that exists now, does that
8 cover something like that? Or does that fall into the
9 whole disaster issue that you're talking about?

10 MR. YEUNG: Yeah. It falls under -- it falls
11 under disaster.

12 The point is if the property no longer exists,
13 how do you assess it? The whole thing slipped into the
14 ocean or --

15 MR. VAZQUEZ: Or off the hill. Right.

16 MR. YEUNG: Yeah, off the hill. It's --
17 it's -- it is a -- it will be a challenge to figure out
18 how do you, one, does the legal exist anymore? And if
19 it doesn't, then I guess the assessment is zero.

20 Even if it did exist, what is the value of
21 something that has basically been washed away?

22 MR. VAZQUEZ: Right.

23 MS. LIEBER: Okay.

24 MR. GAINES: Prop. 19 would help in some of
25 these cases.

1 MR. VAZQUEZ: Would it?
2 MR. YEUNG: Prop. 19. Prop. 19.
3 MR. GAINES: Disaster relief.
4 MR. YEUNG: Yeah. Disaster relief.
5 MR. GAINES: Base year value.
6 MR. YEUNG: One of the -- one of the pluses in
7 Prop. 19 --
8 MR. GAINES: Wildfire.
9 MR. YEUNG: -- is that it did open up the
10 whole state to these transfers.
11 MR. GAINES: Yeah.
12 MR. YEUNG: So you could --
13 MR. GAINES: Is it beyond wildfire?
14 MR. YEUNG: I'm sorry?
15 MR. GAINES: Would it -- would it include --
16 MR. YEUNG: Yeah, it includes wildfires.
17 MR. GAINES: Mudslide?
18 MR. YEUNG: Mudslides. Yup.
19 MR. GAINES: Okay.
20 MR. YEUNG: So it does include all that.
21 MR. GAINES: Okay.
22 MS. LIEBER: Mr. Emran.
23 MR. EMRAN: Thank you, Madam Chair.
24 I want to thank Member Schaefer and
25 Member Vazquez for their leadership on what is a very

1 unique issue. And I think there is some concerns among
2 the general public on property valuations, especially
3 under some unique circumstances.

4 Just to understand the process here,
5 Mr. Vazquez, you wanted to have an informational
6 hearing, or you wanted the Executive Director to present
7 in July, August. And if there's enough information, we
8 would have an informational hearing with, like, criminal
9 justice advocates, maybe safe street advocates, at a
10 later date, is that why we're kind of doing a
11 fact-finding now, and then kind of broadening our
12 community input?

13 MR. VAZQUEZ: I think that would be
14 appropriate.

15 Because it sounds like, in listening to our
16 Executive Director, she really hasn't heard from
17 assessors.

18 But I'm thinking if we cast a net out there,
19 we might hear from folks that are experiencing these.
20 Especially, I'm thinking, like I have this one area, I'm
21 telling you, PV, Palos Verdes, that there's a number of
22 properties that are literally slipping.

23 And some are still somewhat inhabitable. But
24 some are, like, yellow tags. So they have to do some
25 repairs before they can even live in them.

1 And I just don't know if it's an issue up and
2 down the state, or just in certain areas. But after,
3 you know, maybe some of this factfinding, we may feel
4 like it constitutes a hearing, a full-blown hearing of
5 some sort.

6 MR. EMRAN: Understood.

7 MR. VAZQUEZ: That's all.

8 MS. LIEBER: Well, let's --

9 MR. VAZQUEZ: I just didn't know if we needed
10 to jump out ahead of it though.

11 MS. LIEBER: Yeah. I think it would
12 definitely behoove us to get a little more information
13 back --

14 MR. VAZQUEZ: Yeah.

15 MS. LIEBER: -- in the July/August timeframe.

16 And we could get the input of assessors to say
17 on the situations that are a little more transient, you
18 know. Landslide is kind of obvious, usually. But
19 there's different, you know, different categories that
20 folks fit within. And get a little more input from the
21 assessors of how would you be able to cope with this.

22 And then, I think, too, it's a little bit
23 scary that property owners would only be able to change
24 that on their lean date.

25 Because, say that they want to sell the

1 property, the nuisance is now gone, but buyers can only
2 get financing based on what the property value was with
3 the nuisance. And now their pool of buyers is lessened.

4 And so we may be -- there could be a situation
5 where an individual's property is devalued for a reason
6 that was beyond their control, clearly, and then it has
7 a negative economic impact on them that they only have
8 the ability to change that once a year.

9 So I think it's a little bit of a nuance
10 situation that we should get more input on.

11 Mr. Gaines.

12 MR. GAINES: Just to add onto that.

13 You know, in the event of the sale of a home
14 in a community, I'm thinking of, like, Megan's Law, that
15 discloses, right, that provides that disclosure of a
16 convicted sex offender per public information.

17 So I -- I know that my kids are looking to buy
18 a home. They're checking to see if there's offenders in
19 the neighborhood or not. And so it's helping make a
20 decision, right? You can still move into the
21 neighborhood. But if you -- if you have that exposure,
22 I think it would also be reflected in pricing, right?

23 MR. YEUNG: Mm-hm.

24 MR. GAINES: Because if there's enough buyers
25 out there saying they don't want to live there, or maybe

1 they do, because they can get it for a lower price, but
2 there's clearly a difference in the valuation as a
3 result.

4 And so then the question would be if the house
5 is selling for less as a result of the exposure,
6 whatever that might be, then that would be reflected
7 upon sale, right?

8 So it sold for a lower price than what it
9 should have in the marketplace. So it would take care
10 of itself through the course of the sale.

11 But I guess the question you're asking is,
12 what if I'm living there, and I'm paying taxes every
13 year, and the new lower value is not being reflected
14 through the assessors?

15 Is that -- am I summarizing that correctly?

16 MS. LIEBER: Yeah.

17 I'm thinking if the property owner can only
18 change the situation on the lien date, then the -- the
19 sexually violent predator who has been returned to that
20 community --

21 MR. GAINES: Right. Yes.

22 MS. LIEBER: -- because they were convicted in
23 that county. And that person, because they're
24 monitored, they have dictated routes to work and routes
25 to the store, and etc., and they stray off that route,

1 and their ankle bracelet tells the tale, well, they can
2 be gone within a week.

3 MR. GAINES: Yeah.

4 MS. LIEBER: And so then, you know, does the
5 property owner have to live with that devaluation for a
6 year?

7 MR. GAINES: Mm-hm.

8 MS. LIEBER: And so --

9 MR. GAINES: Good point. Yeah.

10 MS. LIEBER: They didn't really cause the
11 situation that has now impacted them. And it could be
12 just a sort of a morass right there.

13 MR. GAINES: Right.

14 MS. LIEBER: But, Mr. Emran, did you have a
15 comment?

16 MR. EMRAN: Yes. Thank you, Madam Chair.

17 I also like the fact that it's under special
18 circumstances as well. So let's just say there's a
19 known area for pedestrian fatalities for speeding, if
20 there's a homicide on the street, if there's a mass
21 shooting. I think all these things should be taken into
22 account as well as we do our fact-finding.

23 Thank you.

24 MS. LIEBER: Mm-hm.

25 Mr. Schaefer.

1 MR. SCHAEFER: If we have any hearings on this
2 with the assessors or any of the legislative committees,
3 I'd like to be invited to attend. It's a very
4 interesting topic. We could go even beyond general
5 crimes.

6 There is a law in California that if three
7 people die, or if in a three-year period, if you have
8 any deaths, you have to disclose that when the real
9 estate is sold.

10 So you go back three years, and you could have
11 had grandparents pass. I mean, this is a natural part
12 of our community. But if you don't disclose that, then
13 the people can come back and say, "You got to knock
14 10,000 off the price." Because -- even though there's
15 no publicity.

16 Now, a lot of these times there is great
17 publicity. Like for the sexual violent predators,
18 there's great stories in San Diego media about
19 Judge David Gill sending them out to Jacumba Springs.

20 David Gill and I went to law school together.
21 We're old friends. And that's his little specialty as a
22 senior member of the bench. He gets those cases. And
23 they do happen every year it seems.

24 My friend Jeff Prang had a weird opportunity
25 decades ago in Charles Manson in the Tate-LaBianca

1 murders of seven people brutally. What do you think
2 that did to the property value of that home, you know?
3 I think the home was torn apart, you know, and then
4 decimated.

5 The same down in San Diego where our friend
6 Ernie Dronenburg, I think I'm going to talk to him about
7 this, he had the Heaven's Gate where 39 people in
8 Rancho Santa Fe decided they were going to go to heaven
9 by committing suicide. And the sheriff's got a call one
10 day saying, "I just saw a video that I used to belong to
11 the cult, and in the video it said by the time you see
12 the video, we'll all be dead."

13 And he called the sheriff and said, "I want to
14 show you this video."

15 And they drove out there. And every
16 newscaster from Japan to Germany had already shown up
17 with their cameras.

18 So, you know, a lot of these things get such
19 notoriety that you couldn't give away the home. Well,
20 you could give it away. But we're in the business of
21 fair market value. And we have to be aware of these
22 things. And we're representing the taxpayers. And
23 whenever we have a reason to give the taxpayer a little
24 less valuation, a little less tax bill, it's our duty to
25 do it.

1 MS. LIEBER: Okay.

2 Well, to be continued. We'll get some more
3 information.

4 Ms. Stowers.

5 MS. STOWERS: I just want to be clear that I
6 understand what you guys are asking for, and what we can
7 provide.

8 Sometime in July or August, we can come back
9 with a full presentation on the existing law as it
10 relates to Prop. 8 and the mechanics of Prop. 8, and we
11 can provide a full presentation on existing law as it
12 relates to disaster relief.

13 MS. LIEBER: Yes. I think --

14 MS. STOWERS: And in addition to that, I will
15 reach out to California Assessors' Association to see if
16 they are having a need for additional guidance, and
17 invite the president of the Association to speak at the
18 July or August meeting on this topic.

19 MS. LIEBER: Great. Thank you.

20 And I think it may be that the -- that Prop. 8
21 already has it covered in that sense. And that there
22 may not be statutory support for us going beyond what
23 has already been approved by the voters and by the
24 Legislature.

25 So this may be a good one for the Legislature.

1 They're going to be beginning a two-year session, that's
2 a fresh new session, to really work on the ideas, and I
3 think the Public Safety Committee members and the Rev.
4 and Tax Committee members.

5 But really if we need to expand things, and
6 we'll find out when we have our meeting on it, and then
7 it would be the purview of the Legislature to really
8 have those discussions and open it up, you know, for a
9 lot of public discussion.

10 So okay. Excellent. Thank you so much.

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ITEM 6

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16 MS. LIEBER: We're ready to go onto Item 6,
17 which is the Proposed Informational Hearing on Property
18 Tax Implications for California-Based Regional Clean
19 Hydrogen Hubs, the H2Hubs, Development.

20 And this is presented by Mr. Vazquez.

21 MR. VAZQUEZ: Thank you, Madam Chair.

22 Members, I wanted to share, I was -- I had the
23 opportunity last month to speak to a group actually out
24 here in Sacramento on this issue.

25 And in making the presentation and interacting

1 with these folks, I know California has always been
2 kinda at the forefront in terms of the whole
3 sustainability issue and looking at alternative fuels.

4 And I would just -- I'm putting out a request
5 here of the Board if it was possible to schedule or host
6 an informational hearing on this somewhere down the road
7 on clean hydrogen programs.

8 Possibly, you know, maybe closer to the end of
9 the year, I'm thinking -- and I'll leave that up to
10 staff to see where it possibly could fit in. I was kind
11 of shooting for, like, an October meeting of some sort
12 down there with the stakeholders as -- because in the
13 discussion, when I was making this presentation, it
14 looks like it could potentially have a lot of
15 ramifications on property tax and the assessed values of
16 property.

17 So I just wanted to get that out there and see
18 what, one, if we get all the stakeholders out, maybe we
19 can at least stay out in front of this before it comes
20 to us at a head, and where it could be an issue that we
21 may not be prepared for.

22 So I was looking at -- and I know in the, I
23 think it was back in October of '23, Governor Newsom
24 announced the U.S. Department of Energy awarded to
25 California 1.2 billion to accelerate the development of

1 deployment and clean renewable hydrogen energy, and what
2 they call H2H Hubs statewide.

3 An additional 11 billion will fund 39 projects
4 by state and private industry partners for hydrogen
5 energy pipelines, hydrogen-powered trucks and busses,
6 fueling stations, and liquefaction facilities.

7 The H2Hubs are concentrated in urban regions
8 in the state, specifically Los Angeles, Oakland,
9 Sacramento and San Diego. And Los Angeles has already
10 been selected.

11 This is truly an emerging industry in the
12 public utility arena, and it presents for the BOE and
13 assessors with the opportunity to help meet the property
14 tax challenges and questions that will need to be
15 addressed.

16 An informational hearing, I believe, would be
17 necessary to start and enable us to directly engage with
18 a brand new set of stakeholders, experts, and interested
19 parties, who will be depending on our guidance and
20 assistance.

21 The BOE has a clear nexus with the emerging
22 hydrogen industry in California. As our primary
23 constitutional function, the BOE assesses public
24 utilities and other specified properties, such as
25 pipelines, flumes, canals, ditches and aqueducts, as

1 well as property owned or used by regulatory railway,
2 telegraph or telephone companies, railroad car
3 companies, and companies transmitting or selling gas or
4 electricity.

5 Additionally, the BOE oversees the assessment
6 practices for the 58 county assessors who are charged
7 with valuing over 13 billion assessments each year, most
8 likely both state and local assessment authorities and
9 functions. And BOE guidance will be involved in the
10 development and build-out of the H2Hubs, pipelines, and
11 other facilities.

12 Information, input, discussion, and even
13 planning at an early stage with the state and federal
14 agencies, energy industry experts and local
15 jurisdictions, representatives involving H2Hubs
16 development is important so unnecessary hurdles are
17 avoided, and proper information is disseminated to all
18 the stakeholders and the public.

19 Two major developments have been moving
20 forward despite current constraints. The first one is
21 the governor directed his Office of Business and
22 Economic Development, GO-Biz, to establish a California
23 Alliance for Renewable Clean Hydrogen Energy Systems,
24 also known as ARCHES.

25 ARCHES is a nonprofit public-private

1 partnership designed to negotiate for up to 1.2 billion
2 from the U.S. Department of Energy to implement clean
3 hydrogen hubs to accelerate -- to accelerate the
4 production of clean hydrogen technology.

5 ARCHES' first task is to lead California's
6 efforts to secure and oversee the federal funding and
7 work with all stakeholders, including state -- state
8 agencies like the BOE.

9 I just spoke at the ARCHES symposium earlier
10 this month.

11 And then, second, in September of 2022, the
12 governor signed AB 209, the energy climate change budget
13 bill that established the clean hydrogen program under
14 California Energy Commission, authorizing them to
15 solicit demonstrations or scale of hydrogen projects
16 that produce, process, deliver, store or use hydrogen
17 derived from water using eligible renewable energy
18 resources.

19 Centralized large-scale of hydrogen production
20 project solicitations and hydrogen storage project
21 solicitations were issued, but they were recently put on
22 pause due to the current budget.

23 I propose that we take advantage of this
24 temporary lull by hosting an informational hearing in
25 October, and invite representatives from GO-Biz, ARCHES,

1 California Energy Commission and experts from the
2 industry and other interested parties to discuss the
3 eight issues listed, suggested in my memo, focussing on,
4 but not limited to, determining:

5 One, property tax impacts for H2Hubs;

6 Two, whether further rulemaking is needed for
7 H2Hubs and other emerging renewable fuel and green
8 industries;

9 Three, which emerging renewable fuel green
10 industries under current law should either be state or
11 locally assessed;

12 Four, staff capacity and additional training
13 if needed, additional workload issues this industry may
14 bring forward;

15 And, six, any problematic issues regarding the
16 assessment of this industry, federal, state exemptions
17 or obsolescences, etc.;

18 And, No. 7, estimate revenue and agency cost
19 associated with H2Hubs or related industries;

20 And, eight, an educational outreach and
21 marketing campaigns for regional and local governments,
22 county assessors, as well as various stakeholders, and
23 any other concepts or concerns you may wish to add to
24 this.

25 My hope is that this informational hearing

1 will provide us with a better understanding of the
2 hydrogen hubs and hydrogen technology laws and
3 regulations, as well as property tax guidance, rules and
4 novel impacts applicable to hydrogen hubs and related
5 industries.

6 I would like to move a motion in this
7 direction. But let me first open it up to my colleagues
8 and get some feedback and suggestions or any comments
9 you may have.

10 And I see hands up already.

11 MS. LIEBER: Mm-hm.

12 Mr. Schaefer.

13 MR. SCHAEFER: Yes. Thank you.

14 As enthusiastic as I am over Item 5 that
15 Mr. -- Member Vazquez brought to us, I am not
16 enthusiastic about No. 6.

17 First of all, I think we should have an
18 informal agreement that Members shall only put in one
19 item on a given calendar instead of two or three.

20 And I also don't see that there's really
21 jurisdiction for us to get involved in the issue here of
22 the billion two awarded to California and the whole
23 issue. I think that's being handled elsewhere. And if
24 our assessors have any concern for it, they'll let us
25 know.

1 I know we had an informational hearing on the
2 homeless. We spent \$8,500 having a forum where we had
3 the assemblymen come speak and a homeless representative
4 come talk to us. We had our staff there to assist.
5 But, sadly, nobody came to -- from the public. I didn't
6 see one person from the public that was there to listen
7 to us, even though we were trying to get them.

8 We didn't have one media person come, even
9 though we had Mr. Kim down in Santa Monica to talk to
10 the media if they showed up.

11 I think we've got enough pressing problems
12 without getting into No. 6.

13 And I so commend Mr. Vazquez for No. 5, which
14 I think is an issue that has a lot of -- going forward,
15 and I don't see the same for No. 6. I would think that
16 we should concentrate all our efforts on doing a good
17 job with No. 5, and pass on No. 6.

18 Thank you.

19 MS. LIEBER: Mr. Gaines.

20 MR. GAINES: Yeah.

21 Thank you. Just appreciate Member Vazquez for
22 bringing this forward.

23 I like the idea. I think it's important that
24 we're looking forward, looking ahead at the
25 opportunities as they arise. And this is clearly an

1 opportunity for additional infrastructure right here in
2 the state of California. There's a nexus here.

3 I mean, we're talking about infrastructure
4 being built for which we're going to have to figure out
5 the valuation of that property, whether it's done
6 through our county assessors, or whether it's done
7 through the state in determining the value of that
8 property.

9 But I think it would be very beneficial for us
10 also to understand what the proposal is and how it's
11 going to be implemented.

12 Philosophically, I like the idea of having
13 more than one option when it comes to energy
14 opportunities here in the state.

15 I -- when I was in the Legislature, and,
16 Sally, I don't know if you had this opportunity also,
17 but I had a chance to drive a hydrogen-functioning BMW.
18 That was like 10 years ago, maybe 15. And was impressed
19 with that technology, which I'm sure has improved quite
20 a bit since then.

21 So I see a lot of value in this, and would be
22 in support of it. With no disrespect to my colleague
23 from San Diego.

24 Thank you.

25 MS. LIEBER: Mr. Emran.

1 MR. EMRAN: Thank you, Madam Chair.

2 I also want to thank all my colleagues here
3 for the comments today on this specific item.

4 We are moving into more of a green economy
5 here. We've set standards and certain benchmarks in
6 California on that transition to clean and green energy.
7 So I do appreciate Member Vazquez here.

8 This is very innovative in its own right. And
9 I think the Board owes it to the constituents or
10 taxpayers to look into this matter.

11 It looks like it's just an informational
12 fact-finding matter, too, to get more information, to
13 talk with GO-Biz, to talk with our energy departments
14 and see how we can be helpful and resourceful here in
15 bringing hydrogen hubs to California.

16 So I do think there's a nexus here. And I
17 appreciate -- and I appreciate the insight today.

18 Thank you.

19 MS. LIEBER: Thank you.

20 And I'm wondering if we can get some input on
21 timing from our Executive Director, Ms. Stowers.

22 It sounds like Mr. Vazquez is thinking before
23 the end of the year.

24 MR. VAZQUEZ: If possible, yeah.

25 MS. STOWERS: Yvette Stowers, Executive

1 Director.

2 Informational hearing before the end of the
3 year. This is July, basically.

4 I would really have to take a closer look at
5 the calendar. I know a -- I have a request pending
6 right now for an informational hearing on followup on
7 the insurance matter, and we're trying to clear the
8 calendar. Informational hearing as a followup on the
9 insurance crisis as it relates to property tax
10 valuation. I just received that request, and it's
11 pending approval.

12 I'm also thinking that we do have our annual
13 meeting with the assessors in September. So September
14 would not be a good date. Possible -- possible
15 October 23rd. Possible.

16 But as an informational hearing and the
17 various invited speakers, of course, we'll be looking to
18 Member Vazquez to -- to take the leadership on that.

19 And, of course, I could have the Property Tax
20 Department, Mr. Yeung, provide some -- provide an
21 overview nexus as -- as the systems may relate to
22 property tax and our property tax roles.

23 You do raise some points there about -- and we
24 don't know, is it going to be locally assessed, is it
25 going to be state assessed?

1 MS. LIEBER: I see Mr. Yeung approaching.

2 MR. YEUNG: Good afternoon. Good afternoon,
3 Honorable Members of the Board.

4 Our Executive Director is -- is correct. If
5 there -- my look at emergent issues like this, I follow
6 a very systematic way of looking at it. There's a
7 couple of questions I ask right away. So if there is an
8 informational meeting, these are the top things on my
9 priority list.

10 First one is taxability, second one is
11 jurisdiction, and then the last one is assessment.

12 So taxability is the question is who is going
13 to own it? Is it going to be owned by a governmental
14 agency? Is it going to be owned by a private
15 individual, private company? One is taxable, the
16 government is probably not taxable. The private is
17 taxable.

18 And then if it is government-owned, we have
19 the whole issue again of is there a PI, a JPA-type
20 situation?

21 So that's the first thing I would -- I would
22 ask.

23 The second thing I would look at is
24 jurisdiction. If it is taxable, who has jurisdiction on
25 it? Will it be locally assessed by the assessor, or

1 will it be centrally assessed by us?

2 We actually do assess property, as you all
3 know. You adopted the value last month of the state
4 assessees. Will it be a state assessee?

5 And then the third thing I would tackle then
6 is the actual assessment thereof.

7 And the assessment actually has four substeps.
8 The first one is discovery, second one is inventory,
9 third one is valuation, and the last one is enrollment.

10 So each one of those would have to be asked.

11 Discovery, how do we know when something is
12 built?

13 Inventory, how do we find out what's actually
14 there on the ground?

15 And then the valuation you've already --
16 Mr. Gaines has -- Board Member Gaines already mentioned,
17 how do we value it? Is there -- is there a methodology
18 that's preferred over another?

19 And then the very last one is enrollment.
20 Once you came up with the value, my -- the question in
21 the back of my head is, because this is green energy,
22 won't they be seeking an exclusion or exemption of some
23 kind of preferential tax treatment for it?

24 If they are, how does that affect the
25 enrollment?

1 It may be assessed at \$500, but is there an
2 exclusion? Like -- just like for solar, a new
3 construction exclusion. Will part of it not be taxable?

4 So all those are swirling around. If we have
5 an informational meeting, those are -- those are the
6 items I would be looking at in trying to figure out how
7 and what.

8 If it becomes a thing, well, how does the
9 Property Tax Department administer that function?

10 MS. LIEBER: Mm-hm. Thank you.

11 Mr. Emran.

12 MR. EMRAN: Thank you, Madam Chair.

13 I would also be very interested in which
14 parcels of land are best equipped to take on the
15 hydrogen hub center. And I think that that would be
16 good information to have as our fact-finding process
17 begins.

18 MR. VAZQUEZ: And it's interesting you bring
19 that up, because at this presentation I was giving,
20 there was people from all the energy. You know, you had
21 SEMBRA, you had the oil folks like Chevron, you had the
22 big boys in all the energy. Because they're all --
23 they're seeing this. Because the money is there.

24 It's coming from the feds, and it's here in
25 California. So they're all trying to get out in front

1 of it themselves. So my guess is a lot of them are
2 looking to convert their properties now into this clean
3 energy.

4 And so I think what Mr. Yeung is mentioning is
5 right on point, you know, as we do this hearing,
6 hopefully we can get out in front of this a little bit.

7 MS. LIEBER: Mm-hm.

8 I think something that I'm thinking about is,
9 since it was just announced, it's really information
10 right now.

11 MR. VAZQUEZ: Right.

12 MS. LIEBER: If the Board is interested in
13 moving ahead, it sounds like a majority of us are, then
14 if we could potentially shoot for November or December
15 timeframe.

16 And -- and I -- I see a reaction.

17 MR. VAZQUEZ: I think October seems to be
18 better for her.

19 MS. STOWERS: December, we normally have
20 appeals.

21 MS. LIEBER: Okay. So is November a possible
22 time, or to be decided?

23 MS. STOWERS: To -- to be decided. Let's
24 focus on only one informational hearing in November.

25 MS. LIEBER: Okay.

1 MS. STOWERS: So I -- I guess -- and I haven't
2 even asked -- the Board has not been asked to take
3 action on the informational hearing for insurance, and
4 cannot take action on it, because it's not on the
5 agenda.

6 MS. LIEBER: Okay.

7 MS. STOWERS: But the Board can take action on
8 having an informational hearing in November for the
9 carbohydrate, because it is on the agenda.

10 If the other Member would be open to deferring
11 his request to a later meeting date.

12 MS. LIEBER: Okay.

13 MR. GAINES: I'm flexible. But I would like
14 to get it done this year. And I would like to do it --
15 I'd like to be there -- to have a span of time, right?

16 Because we had our initial hearing in
17 February. But some things have already changed, like
18 discussion with the governor's engagement with a trailer
19 bill providing more succinct review of filings at the
20 Department of Insurance, and making sure they're getting
21 done within a 60-day timeframe.

22 So maybe if --

23 MS. LIEBER: So I --

24 MR. GAINES: -- we did something in the fall.

25 MS. LIEBER: Excuse me. I see our counsel

1 approaching, because that -- that item isn't on our
2 agenda.

3 MR. VAZQUEZ: It's not.

4 MS. LIEBER: But this is informative.

5 And so what I would like to suggest is that we
6 bring back both of the proposals at -- at our July
7 meeting.

8 And, Mr. Vazquez -- well, I can't ask that
9 question.

10 But, Mr. Vazquez, are you looking for a
11 hearing that would be in Sacramento or elsewhere?

12 MR. VAZQUEZ: I'm open. Whatever is, you
13 know, more convenient. You know, I don't mind it here.
14 And it sounds like it would probably be easier
15 logistically. And, you know, so I'll leave that --

16 MS. LIEBER: Yeah.

17 MR. VAZQUEZ: -- up to staff to come back with
18 what they suggest.

19 MS. LIEBER: Okay.

20 MR. VAZQUEZ: And in terms of -- I think
21 somebody mentioned, in terms of speakers, there's a --
22 we've got a whole slew, our office has a whole slew.

23 And I'm open to any others that maybe you in
24 your respective districts may have also.

25 I mean, there's people on this cutting edge

1 right now on this issue, and several that have received
2 funding from the feds. And I think it would be good to
3 have all the stakeholders here, and see what we can do
4 to hopefully have it as informative as possible.

5 MS. LIEBER: Yes. Okay.

6 So did you have another comment, Mr. Schaefer?

7 MR. SCHAEFER: Well, I was gonna say, I
8 believe I can get us a city council or board of
9 supervisors chambers if you want to have a meeting in
10 San Diego.

11 And I include free zoo passes for everybody.

12 MS. LIEBER: Gosh, I'm gonna get to that zoo
13 one of these days. I really am.

14 MS. STOWERS: Madam Chair.

15 MS. LIEBER: Yes. Please.

16 MS. STOWERS: I think meeting in Sacramento
17 will be best, especially considering that some of your
18 stakeholders are going to be Environmental Protection
19 Agency, and they're here in Sacramento.

20 MS. LIEBER: I -- I think that that makes
21 sense.

22 And so we don't actually need a motion on
23 this. So I think we've -- we are definitely interested.
24 And we'd like to have both of the proposals come back.
25 And it's not that we'll do one or the other, but we'll

1 examine both of those, and set a date for them.

2 And it sounds like the one that's proposed
3 today under Item 6 would be in Sacramento.

4 MR. VAZQUEZ: I'm open.

5 MS. LIEBER: And so I think that's a good
6 amount of direction to kind of go with right now. But
7 that's -- that sounds --

8 MR. VAZQUEZ: If you're comfortable with that.

9 MS. STOWERS: I'm comfortable with that.

10 I would work with the team and look at the
11 calendar and see the best month to do informational
12 hearings for the topics.

13 MS. LIEBER: Okay.

14 MS. STOWERS: And I'll be prepared to report
15 back to the Board at the July meeting.

16 MS. LIEBER: Okay. Fantastic.

17 MR. VAZQUEZ: And my staff's willing to assist
18 in whatever.

19 MS. STOWERS: I will work with your staff.
20 I'll work one on one with your staff as well, both
21 offices.

22 MR. VAZQUEZ: Yeah. Whatever you need on
23 that. Yeah.

24 MS. LIEBER: That's great. Very helpful.
25 Okay. Well, we're going to take public

1 comment on this.

2 And we don't have written comments, nor any
3 speaker cards from the auditorium. So we'll go out to
4 our AT&T moderator to see if there's anyone on the line
5 who is hoping to comment on Mr. Vazquez' Item 6.

6 AT&T MODERATOR: If anyone on the phones would
7 like to make a comment, please press one, then zero.

8 And there is no one queueing up at this time.

9 MS. LIEBER: Okay. Thank you.

10 So we've got -- we've got direction to staff,
11 and we've got Mr. Vazquez' staff ready to assist as
12 well. So that's -- that's very, very helpful.

13

14 ----o0o----

15 **ITEM 12**

16 ----o0o----

17

18 MS. LIEBER: Our next item is Item 12, the
19 Legislative, Research and Statistics Division's Chief's
20 Report.

21 And this will be presented by Mr. Angelo.

22 Thank you.

23 MR. ANGELO: Good afternoon, everyone, Chair
24 Lieber, Honorable Members.

25 Again, I'm Ted Angelo, Chief of the

1 Legislative, Research and Statistics Division.

2 Today I'm going to provide a brief summary of
3 the bills that we're following that could impact the
4 BOE's tax programs or administration.

5 Many of the bills crossed over houses in late
6 May and early June, and are being heard in policy
7 committees through the end of this week.

8 And prior to the summer recess, which occurs
9 on July 3rd, those bills with a fiscal impact will now
10 go to the appropriations committees, and are currently
11 being heard there now, and will also be heard in
12 appropriations upon return from recess on August 5th for
13 a few weeks before the end of session occurs.

14 So the BOE's bill analyses and amended
15 analyses as needed for all active bills are posted on
16 our website. And we also continue to provide your
17 offices with weekly reports and copies of the analyses
18 and updated analyses.

19 In terms of the BOE-sponsored bills, SB 1527
20 and SB 1528 now, so both of these bills have been
21 scheduled for July 1st in the Assembly Rev. and Tax
22 Committee. And these are the committee bills that both
23 contain our sponsored language.

24 So that just happened yesterday. I was
25 waiting for them to get amended.

1 But the SB 1527 amends Rev. and Tax Code
2 Section 155.20 to extend the \$50,000 low-value exemption
3 ordinance limit that county board of supervisors may
4 apply to any taxable possessory interest.

5 And we spoke about it in depth last month.
6 And the bill, again, is scheduled to be heard on
7 July 1st in Assembly Rev. and Tax.

8 And now as well, SB 1528, which contains the
9 language for electronic service of notices, electronic
10 filing requirements, and insurance tax code cleanup is
11 included in the bill that has a lot of the CDTFA
12 language as well in the joint language that we work in
13 concert with them on in SB 1528. And, again, scheduled
14 for July 1st in Assembly Rev. and Tax.

15 We covered two bills earlier that I wont recap
16 now.

17 Some of the other bills that we're tracking,
18 AB 2353, which is supported by the Board. The Board
19 Members supported AB 2353, Ward, for welfare exemptions
20 for delinquencies.

21 And this bill prohibits a county tax collector
22 from taking or continuing any collection action
23 regarding any delinquent installments of property taxes
24 levied on a taxpayer if that taxpayer has filed an
25 application for the low-income rental welfare exemption,

1 and has provided the required information when applying
2 for the exemption under existing law.

3 This exemption would be operative for five
4 years according to the bill for property taxes levied
5 for lien dates occurring on or after January 1st, 2025,
6 and before January 1, 2030.

7 AB 2897, Connolly, is a community land trust
8 bill scheduled for Rev. and Tax. And most of these
9 bills on the Assembly bills are being scheduled in
10 Senate Rev. and Tax tomorrow, June 26.

11 This bill amends the definition of community
12 land trust to extend authorization to a wholly-owned
13 subsidiary of the CLT that is solely directed and
14 managed by the CLT.

15 It also makes technical updates to specified
16 requirements of a lease agreement between a lower-income
17 household and a CLT in order for the unit to be
18 continued to be treated as occupied by a lower-income
19 household. Technical changes there.

20 SB 1164 is the ADU bill, also scheduled
21 tomorrow in Senate Rev. and Tax. It excludes an ADU
22 from being classified as newly constructed until
23 10 years have passed since construction of the ADU was
24 completed, or until there is a subsequent change in
25 ownership. And it requires BOE to prescribe the manner

1 and form for claiming the exclusion.

2 That bill is scheduled for Senate Rev. and Tax
3 on the 26th, but it may have been pulled. So -- and the
4 deadline's coming up pretty soon. So I'll keep track on
5 that one, and I'll update your offices as to its status.

6 Again, we're dealing with a tough budget year,
7 and the ADU exclusion would have costs associated with
8 it. And that bill was amended from 15 years to 10 years
9 in the Senate Appropriations Committee before it crosses
10 over to the Assembly to try to reduce some of those
11 costs.

12 AB 2238 is the Low bill regarding the FTB
13 membership. And that's scheduled, again, for tomorrow
14 in Senate Rev. and Tax.

15 And that clearly and simply adds the Treasurer
16 and the lieutenant governor as members of the Franchise
17 Tax Board, and retains the Chair of the BOE as a member.

18 Executive Director Stowers went into this in
19 great detail, so I won't go into it anymore. I'm just
20 giving you a status update on that.

21 This concludes my legislative update. And I'm
22 happy to answer any questions you may have.

23 There's a couple of two-year bills that were
24 scheduled and pulled because of significant costs. I
25 don't see anything with a giant price tag going on it

1 going forward at this point.

2 But if you have any questions on any specific
3 bills that I haven't covered, I can answer them now or
4 in the future.

5 MS. LIEBER: Okay. Great.

6 Any questions?

7 Mr. Gaines and then Mr. Vazquez.

8 MR. GAINES: I just wanted to follow up in
9 terms of Senator Allen's bill that had to do with some
10 additional duties for the Board of Equalization. And I
11 believe that fell into suspense.

12 MR. ANGELO: Is this the -- could you be a
13 little more specific on the duties?

14 MR. GAINES: It had to do with oversight.

15 MR. ANGELO: Oh, okay.

16 MR. GAINES: Yeah.

17 MR. ANGELO: Yeah. That's a two-year bill.

18 And, I'm sorry, the bill failed passage. So
19 it would have to be reintroduced.

20 MR. GAINES: Okay. Do we -- have we heard as
21 to whether that's coming back? It may be helpful.

22 MR. VAZQUEZ: Yeah. It's my understanding
23 that the senator is gonna bring it back.

24 MR. ANGELO: And that's SB 1436, correct?

25 MR. VAZQUEZ: Yes.

1 MR. ANGELO: Yes.

2 MR. VAZQUEZ: It was the one that would give
3 us some authority, I guess, with this Board that we were
4 going to create under FTB. And that would include a
5 Chair of the BOE on oversight of really CDTFA and OTA is
6 what they were looking at.

7 And since it couldn't roll into a two-year
8 bill, because this is the end of it, you're right, he
9 mentioned it's gonna just be reintroduced.

10 We didn't see the financial impact, you know,
11 that they were proposing. But apparently somebody came
12 up with a figure that obviously scared the governor.
13 And that's why, like you said, it just died.

14 So hopefully that gets -- well, it should be
15 coming back next year.

16 MR. GAINES: Yeah. Okay. That's great.

17 Because I just -- you know, I thought it was
18 interesting that we took on additional responsibility
19 when Prop. 19 passed.

20 And I want to really just recognize the BOE
21 staff in terms of how well they have executed on
22 providing that additional -- those additional services
23 without having to hire an additional employee. So well
24 done in that regard.

25 And, you know, if there are opportunities for

1 additional responsibilities that we can take on, I think
2 we're open to that upon discussion and reflection of the
3 Board.

4 But I think there's a lot of opportunity for
5 the BOE in the future. And I think it speaks to this
6 Board also, and to the team, the entire team. So I
7 think we're ready to launch in other areas in the event
8 that such an opportunity arises.

9 MR. ANGELO: Yeah.

10 Just for the record, when the bill was in
11 committee, before it went and was held on suspense,
12 there were a lot of arguments supporting it.

13 MR. GAINES: Mm-hm.

14 MR. ANGELO: And there were concerns of, you
15 know -- that, from the past, that had come up with just
16 oversight of an administrative entity --

17 MR. GAINES: Okay.

18 MR. ANGELO: -- and things like that.

19 But, you know, it doesn't mean that it doesn't
20 have another opportunity.

21 MR. GAINES: Yes.

22 MR. ANGELO: So I'll just leave it at that.

23 MR. GAINES: Was there any discussion on EDD?

24 Because I thought I had heard that -- was that
25 one of the ideas that there was going to be -- I thought

1 that bill included oversight of EDD. But maybe I'm
2 misinterpreting it.

3 MR. VAZQUEZ: No, that one didn't.

4 MR. GAINES: It didn't. Okay.

5 MR. VAZQUEZ: It was just OTA and -- it was
6 basically just putting OTA and CDTFA, because that's the
7 only other two tax agencies that don't --

8 MR. GAINES: Okay. All right.

9 MR. VAZQUEZ: -- really have oversight.

10 MR. GAINES: Thank you. Maybe that was my
11 wishful thinking.

12 MR. VAZQUEZ: But still, along the lines, and
13 I think Mr. Angelo kind of touched on it, there was
14 several members in the two different committees and
15 hearings that I went to that were very supportive.

16 A couple of them mentioned that they didn't
17 think it had enough teeth. That we should come back
18 with more --

19 MR. GAINES: Okay. Okay.

20 MR. VAZQUEZ: -- responsibility and authority.

21 So I think there's an appetite. Contrary to,
22 you know, just two or three years ago, right?

23 MR. GAINES: Right.

24 MR. VAZQUEZ: When people didn't even want to
25 entertain anything.

1 MR. GAINES: Yes.

2 MR. VAZQUEZ: So I think as it comes back --
3 and I shared that with my senator. So when it comes
4 back, I think it's going to come back with a little bit
5 more --

6 MR. GAINES: Great. Yeah. Thank you. I
7 appreciate it.

8 MS. LIEBER: Great.

9 Okay. Anything further?

10 Mr. Vazquez, did you have another?

11 MR. VAZQUEZ: I did. I just -- and it's
12 another one of his other bills, too, that was -- I think
13 you mentioned it at the very beginning, SB 588. Which
14 that was a two-year bill that he was -- it was to raise
15 the cap, the \$20 million cap for rehab and, you know,
16 when they're doing adaptive reuse of hotels, for
17 example.

18 And it's my understanding that -- well, I
19 guess the question I had, have we modified that revenue
20 loss estimate? Because I think it was a little bit off.
21 And I was just wondering if anybody's had any
22 conversations or discussions about that.

23 MR. ANGELO: That bill hasn't been amended
24 since --

25 MR. VAZQUEZ: It hasn't? Okay.

1 MR. ANGELO: No. So I don't believe the
2 fiscal has changed on that whatsoever. And -- and -- so
3 I don't believe they did any changes to the bill. It is
4 scheduled to be heard on July 1st.

5 MR. VAZQUEZ: That's what I thought.

6 MR. ANGELO: But there is a strong chance
7 those two-year bills with high costs will be pulled
8 before hearing, which was the case on SB 726.

9 MR. VAZQUEZ: Right.

10 MR. ANGELO: Which dealt with the veterans'
11 exemptions. It had a high price tag, and so it was
12 pulled before hearing.

13 And the deadline, again, is July 3rd, before
14 they go on recess. So unless it's scheduled before
15 then, it will have to be reintroduced next year.

16 But I haven't heard anything on -- any changes
17 to SB 588.

18 MR. VAZQUEZ: And the other one you
19 mentioned -- well, did you bring up the adaptive reuse
20 SB 2909 with Santiago?

21 MR. ANGELO: No, I didn't.

22 MR. VAZQUEZ: Because -- and I don't know if
23 you know much about it. But let me ask, it was adaptive
24 reuse of historical properties under the Mills Act. And
25 I'm wondering if -- if you've had an opportunity to look

1 at it, or if we can take a look at that one? Because I
2 think it would --

3 MR. ANGELO: It's -- it's on our weekly
4 tracking.

5 MR. VAZQUEZ: It is? Okay.

6 MR. ANGELO: So -- and it was referred to the
7 Local Government Committee, but it wasn't set. So I
8 don't think it's gonna meet the deadline.

9 MR. VAZQUEZ: Oh.

10 MR. ANGELO: But I will double check on that.

11 MR. VAZQUEZ: And if that one doesn't meet the
12 deadline, does that die then at that point?

13 MR. ANGELO: Yeah. Because it's the second
14 year of the session.

15 MR. VAZQUEZ: Okay.

16 MR. ANGELO: But, again, it could be scheduled
17 prior to July 3rd.

18 MR. VAZQUEZ: July 3rd.

19 MR. ANGELO: And this is -- this is according
20 to my update from last Friday. So if something happened
21 yesterday or today, I was just checking our sponsored
22 bill, so I didn't -- this one we were just tracking.

23 MR. VAZQUEZ: Right.

24 MR. ANGELO: Because it doesn't have a direct
25 impact to us.

1 But 2909 was referred to the Senate Local
2 Government Committee as amended on June 19th, and it
3 hadn't been scheduled yet as of last Friday.

4 MR. VAZQUEZ: And you did mention SB 1164,
5 Newman, right? The ADU one?

6 MR. ANGELO: Right.

7 MR. VAZQUEZ: On your analysis it states that
8 it would cost an estimated annual property tax revenue
9 loss of 19 million; is that still the case?

10 MR. ANGELO: Yes. Unless -- unless -- because
11 the bill hasn't been amended.

12 MR. VAZQUEZ: It hasn't been --

13 MR. ANGELO: Because it's an annual loss.

14 MR. VAZQUEZ: Right.

15 MR. ANGELO: So even though they reduced it
16 from 15 to 10 years, that is the amount of revenue loss
17 that would occur each year, regardless of how many years
18 it would be in effect. So it would -- just went from 15
19 to 10. So it would be that amount each year.

20 MR. VAZQUEZ: Each year.

21 MR. ANGELO: So they have to weigh whether
22 affordable housing and ADUs versus the revenue loss from
23 the property tax, and they have to make that decision in
24 a tough fiscal year.

25 MR. VAZQUEZ: Okay.

1 MS. LIEBER: Any other questions?

2 Mr. Emran.

3 MR. EMRAN: Thank you, Mr. Angelo.

4 Just really quickly, I know June is the
5 make-or-break month for ballot initiatives. And we also
6 saw this past week, I believe it was the Taxpayers
7 Protections Act was overruled by the Supreme Court, so
8 it's not going to make the ballot.

9 Just to confirm that, do you know the exact
10 due date for the initiatives to come onto the ballot?

11 MR. ANGELO: I believe the 27th is the last
12 day for qualification for the November 5th ballot. So
13 Friday of this week.

14 MR. EMRAN: Friday.

15 MR. ANGELO: For a legislative measure to
16 qualify.

17 MR. EMRAN: Thank you.

18 MR. ANGELO: And that's SCAs, ACAs.

19 MR. EMRAN: Perfect. Thank you.

20 MS. LIEBER: Okay. Anyone else?

21 MR. VAZQUEZ: I think we're good.

22 MS. LIEBER: It's a brutal time of year out
23 there. So --

24 MR. ANGELO: It is. This week in particular.

25 MS. LIEBER: Yes, it definitely is.

1 Well, thank you so much.

2 MR. ANGELO: Thank you.

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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 June 25, 2024, 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 72 constitute a complete and accurate transcription of the shorthand writing.

Dated: September 20th, 2024

Jillian Sumner
JILLIAN SUMNER, CSR #13619
Hearing Reporter