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

SEPTEMBER 28TH, 2022
PROPERTY TAX ABATEMENT
BOARD WORK GROUP MEETING

REPORTED BY: Jillian M. Sumner
CSR NO. 13619

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2	For the Board of	
3	Equalization:	Honorable Malia M. Cohen
		Chair
4		Honorable Mike Schaefer
		Vice Chair
5		Honorable Ted Gaines
6		First District
7		Honorable Antonio Vazquez
		Third District
8		Anthony Epolite
9		Appearing for Betty T.
10		Yee, State Controller
		(per Government Code
11		Section 7.9)
12	For the Board of	
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13		Executive Director
14		Henry Nanjo
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19	Perspective:	Honorable Tony Thurmond
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23	Speakers for the	
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24	Perspective:	Honorable Michael Roos
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25		CA State Assembly

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APPEARANCES CONTINUED

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APPEARANCES CONTINUED

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Eric Garcetti
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1 STATE BOARD OF EQUALIZATION
2 450 N STREET, SACRAMENTO
3 SEPTEMBER 28, 2022
4 ---oOo---
5 MS. COHEN: Good morning, everyone.
6 Good morning to you. I'm excited to be
7 here. So excited, I lost track of time. So I
8 apologize. But we are going to get started now.
9 It is 10:25, September 28th, a.m.
10 Good morning. We're ready to call the
11 Tax Abatement Board Work Group to order and reconvene
12 the State Board of Equalization Meeting.
13 Good morning.
14 Ms. Cichetti, do you have any announcements
15 today?
16 MS. CICHETTI: No announcements today.
17 MS. COHEN: No announcements.
18 Okay. All right.
19 MS. CICHETTI: Board Work Group.
20 MS. COHEN: Okay. All right. Well, could
21 you call the item.
22 MS. CICHETTI: The first item on the agenda
23 is the property tax --
24 MS. COHEN: Work Group.
25 MS. CICHETTI: Yes. I'm sorry.

1 The Work Group.

2 The Greetings and Introductory Remarks is
3 the first item on the agenda.

4 MS. COHEN: All right. That's great. I
5 love it that you're so excited that you lost your words.

6 MS. CICHETTI: I did. I just --

7 MS. COHEN: Here we are. We're in our third
8 conversation around property tax abatement.

9 I want to thank my staff that has really
10 done the herculean task in pulling all of this together.

11 Thank you very much to the BOE staff of
12 District 2.

13 So -- and on behalf of my esteemed
14 colleagues, I want to thank everyone for joining us
15 today.

16 This is the third Board of Equalization
17 Property Tax Work Group Meeting.

18 Over the last two meetings of the Work
19 Group, we've received testimony from distinguished
20 leaders, both on the State and local government
21 representatives, from academic, as well as public policy
22 research groups, ThinkTanks.

23 We've seen leaders in the struggle to
24 redress historic wrongs that have harmed communities of
25 color through racist tactics like redlining and

1 exclusion from capital and from developers, both in the
2 non-profit and the for-profit space, who have extensive
3 experience in building housing here in the state.

4 We've also heard from leaders in our state
5 and jurisdictions who have implemented property tax
6 abatement programs to grow the numbers of affordable
7 housing units.

8 And, again, we are paying particular
9 consideration to the missing middle. And, by
10 definition, by "missing middle," I'm just using a loose
11 definition of school teachers, First Responders, service
12 workers, manufacturing workers.

13 But one thing that we all have in common is
14 a goal of building more housing that's affordable and
15 accessible to the middle class.

16 I want to note that stakeholders in
17 California recognize the urgent need to produce
18 2.5 million new housing units in California by 2030, and
19 with the goal of at least one million of these units
20 being affordable.

21 And during the meeting, we have learned just
22 how difficult it's going to be just to gain consensus.
23 And that's exactly what we're going to need in order to
24 produce the two-and-a-half million -- million housing
25 units.

1 So just to take a moment to step back and
2 just review where we've been. We began this inquiry
3 focusing on the possibility of using property tax
4 abatements with backfills to ensure that no revenue was
5 lost to our schools and to local governments.

6 We have received presentations from many
7 distinguished stakeholders. We are grateful for the
8 presentations that we are going to hear today, and we
9 look forward for more informative present -- more
10 informative presentations that we're going to hear from
11 today.

12 So I want to go very clearly on the record
13 and state that this is an inquiry. No policy decisions
14 will be made. No votes will be taken. We are merely
15 having a discussion.

16 And this -- this is a discussion that is
17 unfolding without preconceived notions, or a
18 preconceived agenda, or any kind of anticipated
19 conclusions.

20 Really, we are curious to hear about -- to
21 hear whether or not property tax abatement can be used
22 to incentivize housing.

23 In particular, we're extremely interested in
24 whether property abatements can be used -- could be used
25 as a -- as a tool to help projects pencil out.

1 Now that's a popular vernacular term that
2 basically means that we want to invest money. And it'd
3 be a good, solid investment of not only our tangible
4 resources, but intangible resources, our human capital.

5 So I wanted to just also highlight that as a
6 result of these hearings that we are conducting, we will
7 prepare a report on what we have learned that will
8 summarize our conclusions from the testimony that has
9 been taken. This report will include public policy
10 perspectives and recommendations for going forward.

11 And I also want to state that we are
12 assuming the responsibility that has been given to us as
13 administrators of an \$85 billion property tax system to
14 study all the possible ways, and the -- that the
15 property tax system can be leveraged to address unmet
16 housing need.

17 And an important and an essential part of
18 this process is to conduct inquiry into -- in the open
19 that's fully transparent and public.

20 And, of course, we will make sure that our
21 stakeholders have a seat at the table as we continue to
22 address these complex public policy discussions.

23 So, with that, that is the percent --
24 perspective that we continue to hear from, hear from our
25 experts today.

1 I am excited by the quality and the depth of
2 the presentations that we have heard, and that we will
3 hear. It's my hope that the report will stimulate,
4 continue to stimulate debate.

5 And with that perspective, I like to turn
6 over to my right to my colleague, Mr. Antonio Vazquez.

7 And then following Mr. Vazquez, we'll hear
8 from the Executive Director, Ms. Yvette Stowers, for
9 opening comments, before we hear our first presenter.

10 And want to acknowledge Mr. Vazquez.

11 And I think also Mr. Gaines has some opening
12 comments as well.

13 MR. GAINES: Great. Thank you.

14 MS. COHEN: Okay. So, Vazquez, you, and
15 then Stowers.

16 MR. GAINES: Wonderful. Okay.

17 MR. VAZQUEZ: Thank you.

18 Thank you, Madam Chair.

19 Good morning, everyone.

20 And to each speaker who will be joining us
21 today either in person or remotely, I want to thank you
22 for sharing your expertise as we explore various
23 property tax options for incentivizing the development
24 of affordable housing in our state.

25 Thank you for taking the time from your busy

1 schedule to provide you -- to provide us with your very
2 valuable input with the Board and with view -- and with
3 the viewing public.

4 Your testimony today is critical in helping
5 us to understand how the property tax exemption and
6 possible abatements can be most effectively used and
7 streamlined.

8 As the -- our Chair mentioned earlier today,
9 you know, the history, especially here in the state of
10 California, while we've had, you know, programs over the
11 years, especially in the early years, as we became a
12 state with FA, for example --

13 MS. CICHETTI: Mr. Vazquez, can I interrupt.

14 We -- at this point right now, looks like
15 we're having some technical difficulties. We're trying
16 to solve them. So I -- I would like it so that you're
17 online.

18 So if you don't mind holding on for one
19 quick second. It looks like we're rebooting.

20 All right. It looks like we're back up.

21 I apologize for interrupting. It was an
22 issue with the Teams, we believe.

23 So we're back up again.

24 Thank you.

25 MR. VAZQUEZ: Once again, good morning.

1 I don't know how much people heard before
2 but --

3 MS. CICHETTI: Yeah.

4 MR. VAZQUEZ: I'll just briefly just welcome
5 everybody again.

6 And like I said earlier real quickly, I just
7 want to thank all the speakers that will be joining us
8 today, either remotely or in person, for sharing your
9 expertise and experience with us today.

10 Because this is a very challenging topic
11 that we're going to take on today, that actually this
12 hearing is one of many that we've had already.

13 And as we're listening to folks, we're
14 getting different groups throughout the state, interest
15 groups that are obviously very concerned. Because this
16 could have some financial impact on their stability,
17 whether it's a city, a county, or a state agency, for
18 example, in our school system. Which we'll hear from
19 folks in a little bit this morning.

20 But I guess one of the key things as we
21 discuss this as we're looking and working with possible
22 incentives, both on the -- on the abatement side, as
23 well as possible tax credits, is to see what makes sense
24 to hopefully expedite and streamline the process.

25 Because the nonprofit world, by itself, is

1 not going to be able to meet the demand. The demand is
2 just so high. And I think until we get the for-profit
3 world involved, it's not going to happen to the -- the
4 amount of housing that we need in the state of
5 California.

6 And I know many of my colleagues have shared
7 this. And I -- we don't want to obviously give away the
8 store with tax credits. Because obviously that has a
9 ripple effect on the other side. But for those that are
10 willing to do true affordable housing, I think we can
11 come up, hopefully, with some creative ways to make that
12 happen, whether it's a tax credit or just streamlining
13 the process.

14 And like our -- my Chair mentioned earlier
15 today, you know, there's been many programs over the
16 years, like FHA programs, that have -- were set up
17 specifically to help people of color. But as we see
18 today, you know, even if we look now as of 2019, Black
19 families, only 41 percent own their homes. And Latinos
20 are not much better. They're like 49.

21 And we -- we hope with our incentives that
22 we hopefully will create here soon, or at least put out
23 there, could make a dent in that as well. Because it's
24 not only about creating affordable housing, but
25 ownership, I think, is also a key piece in terms of

1 creating economic wealth for our folks of color in the
2 state of California.

3 And with that, let me turn it back to my
4 Chair, and we'll continue this hearing.

5 MS. COHEN: Okay.

6 All right. I've just been notified that the
7 California Superintendent of Public Instruction is on.

8 And we will -- just -- just give us one --
9 one moment, Mr. Thurmond. We've got to hear from
10 Mr. Gaines, my colleague.

11 MR. GAINES: Yeah. Thank you.

12 I'd like to make some comments about the --
13 at a later point, if I could.

14 But I -- if I can make two comments just
15 about what's happening in the world real quickly. And
16 one has to do with Hurricane Ian, that's set to hit
17 Florida landfall within the next few hours.

18 It's a near Category 5 storm in terms of its
19 strength. It's predicted to blast winds up to 195 miles
20 an hour. And it's prompted evacuation orders for
21 two-and-a-half million Floridians. And it's going to
22 have major impacts in terms of rain, wind and flooding
23 and power outages.

24 Secondly, I'd like to just give an update on
25 the Mosquito Fire. It's 85 percent contained,

1 77,000 acres burned. It's the largest fire in
2 California this year. 1,300 personnel are still
3 fighting that fire.

4 So thank you for this, letting me make those
5 comments. And I don't want to take any time away from
6 our school superintendent, Mr. Thurmond.

7 Thank you.

8 MS. COHEN: Thank you.

9 Thank you for also sharing -- sharing the
10 update. We know that the work that we do in terms of
11 property tax assessment and ultimately collection
12 goes -- portion of that goes into, not only public
13 education, but fighting fires.

14 MR. GAINES: Right.

15 MS. COHEN: So that is important and timely.

16 MR. GAINES: Right. Thank you.

17 MS. COHEN: Mr. Thurmond, we've got one more
18 speaker, Ms. Stowers, who's the Executive Director of
19 the Board of Equalization. She's going to make opening
20 remarks, and then we will turn to you, sir.

21 Thank you for joining us.

22 MS. STOWERS: Good morning, Chair Cohen and
23 Honorable Members.

24 I would like to thank -- first, thank the
25 Board for their leadership in exploring ways that the

1 property tax system could be utilized to incentivize
2 affordable housing in California.

3 This Work Group of Property Tax Abatement
4 provides a valuable form for public discussion with
5 taxpayers, stakeholders, and state local officials on
6 this complex issue.

7 This is a great opportunity for anyone to
8 provide input and propose possible solutions and other
9 ways that we can work together to spur affordable
10 housing.

11 I would like to kind of share a personal
12 note that I've just kind of -- when we talk about
13 affordable housing, it's a complex issue. And I'd like
14 to note -- share that, here's what I'm dealing with,
15 with one of my neighbors who had to relocate and decide
16 to put their house up for sale.

17 Nice house, five bedroom, three bath,
18 motivated seller. Put it on the market for below market
19 rate of \$600,000. Open house, bidding war, house sold
20 in two days, cash offer, \$750,000. Escrow closed the
21 next day. House for rent, \$4,000. Three times the
22 rent, \$12,000, you have to earn. Not really affordable.
23 That's my personal take.

24 But going back, as BOE co-administers the
25 welfare exemption, we have a critical role in how we can

1 elevate the housing crisis.

2 Finally, I'd also like to thank esteemed
3 group of presenters for taking time out of their busy
4 schedule to participate today.

5 The last two meetings of this Work Group
6 have provided a wealth of information, and I'm very much
7 looking forward to today's discussion.

8 Thank you, Members.

9 MS. COHEN: Of course. Thank you for that
10 sobering reality. Our conversation is very timely.

11 And with that, I'd like to welcome to the
12 microphone our California Superintendent of Public
13 Instruction, Mr. Tony Thurmond.

14 He is joining us via the Team's environment.
15 And due to -- due to weather, his plane was delayed.

16 So thank you for making every effort to be
17 here. The floor is yours.

18 Good morning.

19 MR. THURMOND: Thank you, Madam Chair and
20 Members of --

21 Thank you, Madam Chair.

22 And to the Members of the Board of
23 Equalization, thank you for the opportunity to speak
24 remotely.

25 Regrettably, I was not able to join you in

1 person due to issues with weather-related travel.

2 BOE Member Gaines referenced it, and our
3 hearts go out to those who were impacted directly, as
4 well as those who are impacted by fire in California.

5 We are continuing to support families in
6 California who've been impacted by fires, especially in
7 our school communities.

8 And we know that while the federal and state
9 proclamations for emergency get underway, many of those
10 families need help. And one of the places where they've
11 needed help is in housing assistance, food, water. And
12 so we've been providing support to our school
13 communities in that way.

14 Madam Chair and Members of the Board of
15 Equalization, I want to thank you for taking up the
16 issue of affordable housing.

17 As you can imagine, it has been a big part
18 of the equation for our efforts to retain school staff
19 and recruit school staff. Teachers and classified
20 staff, and administrators, like everyone else, are
21 impacted in a way where we are just losing folks.

22 And I appreciate your willingness to take up
23 the issue of increasing revenue for affordable housing,
24 in particular, for our school-based employees.

25 I would say at the outset that seeing the

1 level of retirements that we're seeing, in projected
2 retirements of teachers and others, that this is a
3 critical issue.

4 I would share with you, as I'm sure you
5 know, that there are many who feel fatigued from the
6 effects of the pandemic.

7 And at the same time, as you heard from your
8 Executive Director, the demand for housing has reached
9 such a level that most Californians are simply being
10 priced out of the ability to live the American Dream.

11 It's something that, you know, my
12 grandparents who came here as immigrants, and my
13 grandparents on my other side who were former slaves,
14 you know, live to be able to own a home. And that
15 reality has slipped away from most Californians. And so
16 we appreciate you taking up this issue.

17 I think, you know, that in my time in the
18 Legislature, I've worked on a number of affordable
19 housing-related efforts, including establishing junior
20 accessory dwelling units that would make the
21 requirements for creating these units less restrictive,
22 you know, less requirements around parking, around
23 permitting, and making it easier for someone who may
24 have an extra room in their home who can create a unit
25 to be available for someone who might be a senior, or

1 might be a teacher, or a classified staff member.

2 But, even so, we continue to see challenges.
3 Even though the Legislature has put billions of dollars
4 into affordable housing programs, we just are finding
5 that there are not enough resources to help, and, in
6 particular, our educators.

7 I would just say this; that I think we have
8 to get to a place where our school districts are able
9 to, first and foremost, provide greater salary for
10 teachers and classified staff.

11 And that is the most important thing that we
12 can do to make it possible to provide housing as a
13 reality for educators and for the missing middle that
14 often is not able to be supported by various state
15 programs.

16 Aside from that, I do think that there are
17 things that can be done to support our missing middle.
18 Our teachers, our First Responders, and others who work
19 in communities where they'd like to live in those same
20 communities. And we get the benefit of having teachers
21 and classified staff and administrators living in the
22 communities where they serve tremendous benefit for our
23 students.

24 Thank you for taking up the property tax
25 work group, and for making this a priority policy

1 discussion about ways that we may be able to use
2 tax-related resources to support affordable housing.

3 I look forward to the conversations that you
4 will have about any -- any tax abatement that could take
5 place. And I -- I think it's worthy for discussion
6 about the possibility of a tax abatement program.

7 I would offer just one caution. And that
8 caution, if there's going to be any property tax
9 abatement, means less money for schools at the local
10 level. And that it would come at a time where schools
11 are -- are preparing for it to be a downturn in the
12 economy and less revenue. They've already been
13 projections about less revenue coming forward. And I
14 would ask you just to consider that right now school
15 leaders are still struggling to make their ends meet and
16 to balance their budgets. And that there is a concern
17 that any property tax abatement would mean less money
18 for local schools over a course of many years that would
19 not be replaced.

20 And so I would just ask you to consider the
21 impacts that such action could have, and ask you that
22 with your committee, that you consider the full range of
23 options that can be helpful to creating revenue for
24 affordable housing for school staff.

25 For example, tax credits. And I would point

1 to a program in 2019 that our office worked on with the
2 Governor's office to generate more tax credits for
3 building affordable housing.

4 In 2019, the proposal that we worked on led
5 to more than \$500 million in tax credits that were
6 available, and a set aside of \$200 million worth of tax
7 credits that can go to middle-income Californians who
8 wouldn't apply for the traditional low-income tax credit
9 programs.

10 These tax credits were made available for
11 developers to essentially sell to investors to generate
12 revenue for building affordable housing, and to work in
13 conjunction with school districts that can make land
14 available.

15 In many cases, districts were able to make
16 surplus property available, not for sale, but maybe
17 through a long-term lease in partnership.

18 And so the combination of these efforts, the
19 tax credits, working with school districts that had
20 surplus property to make available, had created
21 opportunities to build more affordable housing, multiple
22 units.

23 And this is not, you know, what people might
24 think, it's not like saying, "Oh, you're a teacher, and
25 you're -- you're -- you're -- your principal or your

1 superintendent is going to be the person who holds your
2 mortgage."

3 A completely separate arrangement between
4 the developers, the tax credit, and the tax credit
5 program that was monitored and administered by CalHFA.
6 And so that there were guarantees that these tax credits
7 would be put to good use to support programs for our
8 educators.

9 And -- and so we hope to see more efforts
10 like these focus on building affordable housing for our
11 educators. Clearly the state needs to revisit programs
12 that it has for down-payment assistance.

13 You know, as your Executive Director
14 described, the kind of competitive market that exists
15 right now for housing where people are buying houses in
16 cash makes it difficult for many of our working
17 Californians to be able to -- to even bid on a house.

18 And so I would submit to you that we would
19 be happy to work with the Board of Equalization on
20 strategies to generate revenue for affordable housing on
21 any new bills that might get sponsored in the next
22 legislative session by the BOE. We'd be happy to
23 jointly sponsor bills that will prioritize creating
24 affordable housing for teachers, and classified staff,
25 and administrators, and others who work in our school

1 environment.

2 I would only offer the caution that any tax
3 abatement could have devastating effects on the local
4 revenue sources for school districts, and -- and ask
5 that the committee looked broadly for opportunities to
6 generate revenue, like the tax credit program, or other
7 programs that we could get behind without any unintended
8 and negative consequence to our local schools, as it
9 relates to their ability to have financing.

10 I'll stop there, Madam Chair. And submit to
11 any questions that you or the Members of the Board may
12 have for me.

13 Thank you for the opportunity to provide
14 these comments.

15 MS. COHEN: All right. Thank you very much.

16 I -- I have a question. Perhaps you have
17 some advice or guidance you can give us as we begin to
18 navigate. The waters are starting to get choppy, if you
19 will, when we talk -- when we talk about tax abatements.
20 And there is a lot of consternation around backfill and
21 the need to backfill these -- these potential loss of
22 revenue, particularly, how it will impact public
23 education.

24 I wanted to hear some of your thoughts
25 around this topic, if you had any.

1 MR. THURMOND: Well, I think backfill is a
2 strategy that could work if there was a guarantee that
3 you could have the revenue available to backfill.

4 But without that type of a guarantee, it
5 seems as though it is simply a risk, and a risk that
6 could be born by schools, and, ultimately, the students
7 that we all want to serve.

8 And so if the projections are true that
9 we're already getting -- that revenue, as soon as this
10 year, will be lower, it would seem that a backflow
11 strategy would be hindered with no guarantee to provide
12 that revenue.

13 And on top of the fact that projections are
14 lower, what I -- what I worry about is when the economic
15 downturn happens again. And you all know better than
16 me, the way we fund education in our state leaves us to
17 be very -- to be subject to volatile conditions.

18 I'm grateful that these last few years,
19 California has had the revenue to expand programs for
20 things like universal preschool for every four-year-old,
21 and universal meals for every hungry student, and to
22 expand our after-school programs to support students who
23 need additional supports to overcome learning loss, and
24 to accelerate learning, and to address learning
25 recovery.

1 But as soon as the economy takes a dip, we
2 are at risk for seeing less revenue for our schools.
3 And even with all the support that states that -- that
4 the state budget and the federal relief package has
5 provided to our schools, there are so many schools that
6 are still looking at structural deficits.

7 When these dollars go away, they're going to
8 be back to making hard decisions about closing schools
9 and potentially laying off staff.

10 And for those reasons, I would say that the
11 idea of a backflow strategy needs to be evaluated. And
12 recognize that there is a fair amount of risk that in
13 short order and in just a few years we might find
14 ourselves without the revenue to actually backfill.

15 MS. COHEN: Well said. Well said.

16 Thank you very much.

17 My colleague, Mr. Vazquez, has a -- has a
18 question for you.

19 MR. VAZQUEZ: Good morning, todayo.

20 Just real quick, as I'm looking at -- I
21 think you hit on a very good point. And as a former
22 teacher, I'm real sensitive to obviously making sure
23 that we have adequate funding for our schools.

24 So my strategy, at least at the beginning, I
25 think, or what I was going to recommend to our group

1 here as we move forward, is to maybe target properties
2 that are currently not paying taxes.

3 For example, there's a lot of cities and
4 school districts, like even in Santa Monica, that we
5 have properties that are -- maybe are underutilized, or
6 are vacant, which are not paying property taxes now,
7 because they're exempt. Because they're used for, in
8 this case, for schools.

9 And I was wondering if there's any, on your
10 end, looking at the state, if there's any kind of a list
11 or an inventory of properties that school districts
12 throughout the state of California, that are either not
13 being used currently at schools, for example, or maybe
14 as schools that have been closed that are, just maybe
15 need to be repurposed that we can look at. Since
16 they're not on the tax rolls now, that wouldn't create
17 an impact.

18 But, yet, they could be used at least to
19 start the program in terms of developing a workforce
20 housing or true affordable housing in the state of
21 California.

22 MR. THURMOND: Thank you for the question.

23 You know, at the moment, we do not have a
24 list of inventory of statewide inventory of parcels that
25 are vacant at school districts. But we would be happy

1 to work with our school district leaders to have them
2 identify parcels that they have that they might be able
3 to designate as a priority for consideration for
4 building affordable housing.

5 There are a number of districts that have
6 pursued this work. You know, in San Mateo County and in
7 other parts of the state, there are wonderful examples
8 of where the school district has built housing.

9 And I should say, for our K-12 through
10 Higher Education Partners, in many cases the recipients
11 are both in the pre-k through 12 space, as well as in
12 community colleges and four-year college space. And
13 there are many examples of where this has been done.

14 I think, as you all are pointing out, we
15 need the revenue. And -- but there are examples. And
16 we would be happy to convene a number of partners,
17 school districts, certainly through the Association of
18 Administrators, and our partners, our Teachers
19 Association, our Classified School Employees
20 Association, I know they're all interested in this
21 issue. And we'd love to pull them all together to help
22 identify parcels. But it would have to be done on a
23 district-by-district basis at this point.

24 MR. SCHAEFER: I had a question.

25 MS. COHEN: Okay. Soon.

1 MR. VAZQUEZ: Yeah. I appreciate it.
2 Looking forward to working with you on this.
3 MR. THURMOND: Likewise.
4 Thank you, sir.
5 MS. COHEN: All right.
6 Mr. Vazquez -- I mean -- sorry.
7 Mr. Schaefer.
8 MR. SCHAEFER: Thank you.
9 Superintendent Thurmond, Mike Schaefer.
10 Nice to see you again.
11 MR. THURMOND: Good morning.
12 MR. SCHAEFER: I used to have a clock-hour
13 \$12 teaching license a long time ago. \$12 an hour. I
14 remember the field that came in and prohibited any of
15 our education facilities being more than one story.
16 Was that it? And has there been any change
17 in that? Do they have any multiple-story facilities
18 being built within California today, and or a
19 subterranean?
20 I'm just wondering if that would be an issue
21 that would relate to the amount of space we have
22 available for classrooms.
23 MR. THURMOND: There's no question that many
24 of our districts still struggle as it relates to space.
25 But our schools are going through major

1 conversations right now about how to offset declining
2 enrollment. Our schools are trying to make decisions
3 about the number of schools they should have for their
4 population.

5 There are all kinds of conversations taking
6 place right now about how to reinvent what we do. How
7 to re-envision and reimagine what we do. How we deliver
8 education to a very diverse population, and a changing
9 population. You know, California, has law students. We
10 believe that many of those students have gone onto other
11 states, in some cases maybe home school, in some cases
12 maybe in private school.

13 But the reality is that California has been
14 seeing a decline in population for decades, and that
15 decline has been exacerbated during the pandemic. And
16 it puts California in a position where we have to
17 reimagine everything we do.

18 As a matter of fact, tonight we're hosting a
19 statewide town hall with parents to ask about, you know,
20 what are your concerns about school. If you left
21 California schools, why?

22 We're going to reach out -- we're going to
23 do outreach to a million homes in our state to say we
24 want to hear from our California school parents.

25 What are your concerns about education?

1 How can our system best accommodate the needs of you and
2 your students and your families?

3 And so in the midst of all these
4 conversations about improving housing availability,
5 we're also working as a system to say, "What more can we
6 do? What -- what courses can we offer?"

7 I -- you know, this past year, our office
8 sponsored a bill to expand dual-language immersion
9 programs. Because we know that many of our families
10 want the ability for their child to learn another
11 language, to have access to dual-language immersion
12 instruction.

13 And so we're working on ways to offset
14 declining enrollment. And I think that's part of the
15 conversation that schools have, about the use of space,
16 about managing classrooms, and how do we project for the
17 future.

18 We can get you the guidelines about what
19 schools are allowed to build. There are new guidelines
20 being put out by many groups, including the state
21 architect and others.

22 We can get you that information sent to your
23 office, Mr. Schaefer, so you have access to what the
24 latest standards are for school construction.

25 I would also just mention, while we're on

1 that subject, this last year's state budget provides
2 some \$8 billion for school construction and maintenance
3 to help our schools address a number of their issues.

4 And so we're happy to get you any
5 information you want about the standards for school
6 construction going forward.

7 MR. SCHAEFER: Yes.

8 This is Hispanic Heritage Month, as you
9 know. And San Diego is the fastest growing Hispanic
10 part of our state. Except, in the educational field,
11 the Hispanics are not succeeding as much as would be
12 expected. And I'd like to see, you know, more
13 opportunities, education-wise, and more motivation for
14 the Hispanic Community. Now that it's Hispanic Heritage
15 Month, we can address that.

16 MR. THURMOND: Well, I would just say that
17 we certainly have our challenges to close the
18 opportunity gap. Some call it the achievement gap, I
19 call it the opportunity gap. Because I believe that our
20 students can achieve, but they've faced many barriers
21 like poverty, and social economic challenges, and
22 institutional racism.

23 And for decades, literally decades, this
24 country has been talking about how to close that gap.
25 And I believe that we can. I think if we do things like

1 recruit and support more educators of color. If we
2 offer more support around literacy for our students. If
3 we continue to address the crises that our students have
4 experienced during the pandemic. Right now our officers
5 work with the Governor's office to secure funding to be
6 able to recruit 10,000 more counselors to work in our
7 schools so that we can help our students.

8 We have a Community Schools Initiative that
9 will help students all across the state get help with
10 mental health, health, social services. If you're
11 hungry, we have a universal-meals program.

12 We have the resources to re-envision
13 California schools and to overcome the many challenges
14 that we face. And I believe that Latino students and
15 African-American students and low-income students from
16 all backgrounds will achieve, but we have to be vigilant
17 in our work.

18 And I would say there are examples of
19 where -- places where our students are excelling,
20 including Latino students. And great examples in San
21 Diego County. For example, San Diego Unified has had
22 tremendous growth in a number of areas. And I believe
23 that you would be impressed to see great examples of
24 San Diego Unified and -- and districts all across the
25 state.

1 And so we're proud of our students. And as
2 we celebrate Hispanic Heritage Month, we think that
3 Latino students are on the move. We think that we're
4 going to do great things for Black students, and for
5 low-income students of all backgrounds. But we have to
6 be vigilant. We have to be willing to have tough
7 conversations.

8 We're administering a grant on anti-bias in
9 education as we speak in our schools. We have to have
10 courageous conversations about addressing bias where it
11 exists. We have to have courageous conversations about
12 diversifying our workforce.

13 We have to acknowledge that many of our
14 students live in communities that have high degrees of
15 segregation, high degrees of poverty, and other social
16 economic challenges that have been barriers to their
17 success. But we won't allow them to prevent our
18 students from succeeding.

19 MS. COHEN: Thank you very much.

20 MR. SCHAEFER: Thank you.

21 MS. COHEN: I want to pivot us back to the
22 topic at hand.

23 Those are fantastic accomplishments you and
24 your team are doing for the students across the state of
25 California, but particularly the Latino students in

1 San Diego. We appreciate that.

2 I think we are just about out of time. And
3 wanted to see if there's -- oh, Mr. Gaines has one
4 question, and then we will let you go.

5 Go ahead.

6 MR. GAINES: Yeah. Thank you very much.

7 Thank you, again, Superintendent Thurmond,
8 for your comments.

9 And I recall when we were in the Legislature
10 that there was an actual statute that I supported that
11 passed that provided the opening up of those excess
12 lands on school sites or school -- school district-owned
13 properties.

14 And so it's -- it's nice to hear there's
15 been some progress made there. And I'm hopeful that
16 that will continue in the future.

17 Do you think that there is hope for
18 regulatory reform?

19 I'm speaking specifically of CEQA,
20 California Environmental Quality Act, which has been
21 very difficult to work around in terms of trying to
22 produce additional housing units in California.

23 And I'm just hoping that we can get people
24 around the table from various interest groups, and --
25 and be able to arrive at some sort of kind of logical

1 compromise that this makes it less expensive to -- to
2 build housing in California.

3 MR. THURMOND: Thank you, Mr. Gaines.

4 And I'll keep it brief. The Chair has asked
5 me to keep it focused on housing.

6 I would just say that there have been many
7 bills tried by our former colleagues in the Legislature
8 to figure out ways to streamline many parts of the
9 process, not just -- not just CEQA, but permitting at
10 the local level, and to get cities to make a commitment
11 to enhancing a number of affordable housing units that
12 they are committed to.

13 I would just say that it's going to take a
14 conversation about every aspect related to housing for
15 us to get there.

16 These are daunting challenges. And
17 everything has to be on the table for conversation. It
18 may not be that anyone -- everyone will agree. But I
19 think we have to look at every aspect of how we will
20 provide more for Californians.

21 This is something that every Californian
22 should have. And -- and it's slipping away quickly.
23 And it will require creativity, openness and innovation.
24 And we, at the California Department of Education, are
25 happy to be at the table of conversation about

1 solutions. We want to be focused on solutions in a way
2 that we can do no harm. We don't want to hurt schools
3 in the process. And so that's why I made the cautions
4 that I did earlier.

5 But, again, I applaud the Board of
6 Equalization for being willing to create this work group
7 and taking up the -- the -- your leadership on the
8 conversation of how can taxation play a part in the
9 equation of building more affordable housing.

10 And, Mr. Gaines, we'll stand by and be happy
11 to be a part of those conversations about CEQA or
12 permitting or -- or anything else.

13 And just know that you can count on us to be
14 a part of this effort going forward to build more
15 affordable housing for our educators, who -- who, like
16 most Californians, like all Californians, greatly
17 deserve that opportunity.

18 MR. GAINES: Great. Thank you so much.
19 Appreciate it.

20 MR. THURMOND: Thank you.

21 MS. COHEN: All right. Thank you.

22 It's a great note to put a final point on.
23 We don't want to hurt schools.

24 Thank you. I appreciate your contributions
25 today.

1 MR. THURMOND: Thank you.

2 MS. COHEN: All right. Next, I'd like to
3 pivot back to our clerk of the Board.

4 MS. CICHETTI: Yes. Thank you.

5 I'd like to do some housekeeping.

6 We will announce the item that Mr. Thurmond
7 was speaking.

8 Item III on today's Board Work Group
9 Agenda is the Financial Impact of Implementing Property
10 Tax Abatements: "Exploring the Backfill Options for
11 Local Governments and Schools."

12 We have quite a few different groups that
13 are coming up. Mr. Thurmond was part of the first one.

14 We have Brian Uhler, Deputy Legislative
15 Analyst, California Legislative Analyst Office.

16 Please come forward.

17 MS. COHEN: Thank you very much for joining
18 us today.

19 MS. CICHETTI: -- our next speaker.

20 MS. COHEN: So you heard a little bit of the
21 remarks. You heard from our Superintendent of Public
22 Instruction.

23 Mr. Uhler, we're grateful that you're here
24 to join us this morning.

25 MR. UHLER: Yes. Thank you for having me.

1 We appreciate you inviting our office to
2 come and be part of this conversation.

3 And I just wanted to kind of open my
4 comments by saying we're here to offer some neutral
5 thoughts on this concept.

6 And just -- just want to be clear that
7 nothing in our testimony today should be taken as
8 necessarily as an endorsement of any of the concepts
9 being discussed. So just kind of wanted to get that out
10 of the way.

11 MS. COHEN: We appreciate the disclaimer.

12 MR. UHLER: My -- my comments are going to
13 kind of be grouped in two pieces.

14 The first would be some key features that we
15 think if -- if the state were going to explore creating
16 a new program, to provide some backfill funding to cover
17 any property tax losses for local governments and
18 schools, some key features that we'd suggest that
19 program include.

20 And then the second part of my comments will
21 just be kind of stepping back and thinking about this
22 from a kind of big picture, state policy perspective.
23 Just some comments on potential challenges or issues for
24 you to consider as you move forward in your process.

25 So, first, thinking about some -- some key

1 features that we would suggest including in a backfill
2 program. And this is based on looking at a couple of
3 things.

4 The first is looking at some common
5 characteristics in the State's existing programs for
6 funding affordable housing.

7 The second is looking similarly at common
8 characteristics in other kinds of state tax expenditure
9 programs that are aimed at encouraging certain types
10 of -- certain types of economic activity.

11 So looking at the -- at those other
12 examples, what are some -- some things we think should
13 be included here?

14 The first is having some sort of aggregate
15 cap on the amount of property tax abatement that would
16 be available to developers in any given year.

17 So this would be as -- instead of -- instead
18 of the property tax being -- abatement being available,
19 essentially, as an entitlement, that you kind of check
20 the box, you say you meet the requirements, you get the
21 property tax abatement, instead, there would be a
22 process to competitively award the abatement to
23 developers based on the -- the extent to which their
24 projects are meeting state goals on housing
25 affordability or -- or other policy goals.

1 In this model -- there's a few reasons for
2 this. And -- and it's the reason why we see this model
3 being used by the Low-Income Housing Tax Credit program,
4 by the grant and loan programs that are administered by
5 HCD for affordable housing, and by other kinds of tax
6 expenditures, be it the California Competes Tax
7 expense -- or Tax Credit or the film tax credit. They
8 all follow this similar kind of model.

9 And there's a few reasons. One is that by
10 creating kind of an aggregate cap saying, for example,
11 the -- the state will -- will only provide backfill for
12 \$200 million of abatements in a given year, that
13 provides a fiscal certainty for the state that makes
14 the -- the budgeting easier if -- if it's set up as an
15 entitlement.

16 That makes it a lot more unpredictable for
17 the state from year to year to -- to be sure that
18 they'll have the money to provide the backfills to local
19 governments and schools.

20 The second -- the second piece is with any
21 tax expenditure, including this one, you -- you have the
22 risk that the tax benefit could be provided to a
23 taxpayer carrying out an activity they would have done
24 anyway, regardless of receiving the tax benefit.

25 In other words, receiving kind of a windfall

1 benefit from -- from the tax abatement, that's a risk
2 here. It's a risk with any tax expenditure program.

3 And so one of the potential benefits of
4 having a more competitively-awarded process is that you
5 can ask the developers to demonstrate that their project
6 would not have moved forward but for receiving this
7 additional financial assistance.

8 The third component that we would suggest
9 including would be creating an administrative structure
10 for compliance in performance monitoring that.

11 Now, there are efforts at the state and
12 local level existing with the Low-Income Housing Tax
13 Credit or with the welfare exemption at the local level
14 to do compliance monitoring for affordable housing, but
15 neither of those would necessarily overlap with the
16 target population that you all are looking at with
17 workforce housing.

18 And so you would need to think about
19 creating an administrative apparatus that would be able
20 to, not just on the front end check that -- that
21 projects are complying with what's necessary to get the
22 abatement, but that the -- the developers are meeting
23 their obligation over time to keep those affordability
24 limits in place.

25 The final piece would be to suggest that the

1 state backfill be provided, in a sense, on the front end
2 of the property tax allocation system.

3 And so basically what I mean is that the
4 state would essentially enter into an agreement with the
5 developer to pay their property taxes on behalf of the
6 developer.

7 And this would be kind of maybe following a
8 model from the State Controller's Office for the
9 Property Tax Postponement Program where the state enters
10 an agreement to allow seniors to defer their property
11 taxes, makes the payment on their behalf. It would kind
12 of follow a similar model there.

13 The state would, on the front end, pay the
14 property taxes. So there's a few -- there's a few
15 benefits to this.

16 One is that it provides -- it limits the
17 fiscal impact for local governments and schools. If the
18 state just makes the payment into the system, that
19 dollar could be treated like any other property tax
20 dollar.

21 From the local government's perspective,
22 they -- they wouldn't see a difference. The revenues
23 would flow through them in the same way.

24 The -- the challenge with the alternative,
25 say, if you create the abatement, there's a revenue

1 loss. We account for it on the back end. Each city and
2 school and county comes to the state and says, "I lost
3 \$5 million last year."

4 There's a few challenges with that. One was
5 alluded to by the superintendent, which was the locals,
6 I think, would be probably -- and I won't necessarily
7 speak for them. Because I know you have them on a later
8 panel.

9 But I suspect they would be somewhat uneasy
10 with this kind of an arrangement. Because you're a
11 little bit at the whim of the state to continue
12 providing that backfill. And it would necessarily be on
13 a lag, because it would take a couple years to do that
14 accounting. And the state would then, you know, make
15 that payment in arrears. The counties and cities and
16 schools would be, in some sense, reliant on the state to
17 keep good on that payment.

18 Whereas, if the state made the payment
19 upfront when the abatement occurred, they don't have as
20 much of that risk.

21 The other benefit of doing it upfront is
22 that you're just -- you're avoiding adding additional
23 complexities to an already pretty complicated property
24 tax allocation system. So there's, like, some of the
25 key features.

1 So then just pivoting quickly to some
2 high-level points on thinking about this just from a
3 broader state policy perspective in terms of, you know,
4 effective and efficient, you know, state -- state
5 administration.

6 You know, in some sense, if the state were
7 to be -- were to provide a backfill for a property tax
8 abatement program like this, it would be, in essence,
9 the state allocating additional resources towards
10 affordable housing efforts.

11 And the state already does make several
12 allocations for affordable housing through HCD, through
13 CalHFA, through -- through several avenues.

14 And so kind of a big-picture question for
15 you all to consider is what advantage, what unique
16 benefit is being provided by creating this new
17 additional property tax abatement program?

18 As opposed to, say, putting additional money
19 or broadening the scope of some of those existing tools
20 that we have.

21 Again, the Superintendent mentioned a few
22 years ago how we broadened the scope of the Low-Income
23 Housing Tax Credit to try to build housing for those at
24 higher income levels. You know, that could be an
25 alternative here.

1 So something to consider is what is -- what
2 is the unique benefit, as opposed to leveraging those
3 existing institutions that you would get by doing
4 something like the property tax abatement.

5 Relatedly, it -- you know, that kind of
6 raises a similar question of what is -- what is the
7 benefit of -- of tying the financial assistance to
8 developers to some amount of property taxes owed, as
9 opposed to if we compare it to the model we use for the
10 Low-Income Housing Tax Credit, or HCD's housing
11 financing programs, which the payment is more tied to a
12 particular amount of development costs, or some
13 financing gap that the developer has.

14 The property tax, I think, is -- is -- has
15 maybe less of a nexus to the amount that the developer
16 is going to need to get that project over the line, as
17 opposed to if we just ask them, "How much money do you
18 need to get the project over the line?"

19 You know, I think there's -- there have been
20 some references to there are other states like New York
21 with the 421-a program that do tie this kind of
22 assistance to an amount of property taxes.

23 In that case, there's a -- there's an
24 argument for that, that doesn't necessarily apply as
25 much in -- in California. And that is with New York's

1 property tax system, rental housing ends up paying a
2 higher effective property tax rate than for-sale condos.
3 And so this can create a financial disincentive for
4 builders to do rental housing projects.

5 And so the -- the motivate -- part of the
6 motivation behind the 420 -- 421-a program is to kind of
7 level that playing field between rental housing and
8 condos. And that justification doesn't exist as much in
9 California, because we don't have that kind of disparate
10 treatment of those properties.

11 So with that, I'll stop there, and -- and
12 take any questions that you all might have.

13 MS. COHEN: Thank you very much for being
14 here.

15 So I appreciate this. Because I just wanted
16 to just to, I guess, kind of put this in perspective.
17 The speaker that we heard from, Tony Thurmond, and then
18 Brian Uhler --

19 MR. UHLER: Uhler.

20 MS. COHEN: Uhler, who's a Deputy
21 Legislative Analyst. They are speakers giving the
22 government perspective. And so this perspective is
23 absolutely critical.

24 And like you said in your presentation,
25 there are some models that kind of exist out there. So

1 we could be moving down a very interesting path.

2 Really, my question is, is why hasn't anyone
3 thought of this before? Why hasn't this ever been
4 explored before? Or has it? And if it has, what were
5 the results?

6 MR. UHLER: Yeah.

7 You know, I -- that's a good question.
8 It's -- I mean, it's one I wish I had an answer to.

9 I don't know if this is something that's
10 been looked at before.

11 MS. COHEN: Do you know where we could find
12 that answer?

13 We need to probably find some retirees to
14 kind of -- that have the institutional knowledge.

15 MR. UHLER: I don't know. I mean, I don't
16 know. Let me -- I can -- I'll think about that, and
17 maybe I can circle back with your staff about it.

18 MS. COHEN: Yeah. All right. I appreciate
19 that.

20 Thank you. Thank you.

21 Let me see. Colleagues?

22 Mr. Vazquez.

23 MR. VAZQUEZ: Thank you, Mr. Uhler, for your
24 presentation. I always look for LAO to give us this
25 very objective analysis here.

1 And I -- and I -- and I've read your article
2 on the revenue that was published in September 14th.
3 You know, the "Big Three" Revenue Outlook piece. And it
4 discusses the outlook on the major taxes, personal
5 income sales, corporation taxes. And mostly like --
6 most likely, they're not to fall below the projected
7 revenue assumptions of \$210 billion.

8 In other words, there is a 70 percent chance
9 that the revenue from these sources will be below
10 projections.

11 I know you probably do not do such a deep
12 dive, or even consider this. But based on your
13 assumptions on the three revenue sources, how will the
14 changes in the economy affect property tax revenue, and
15 how will the abatements affect property tax revenue?

16 MR. UHLER: Yeah.

17 So I think I can speak a little more to the
18 first part of that question than the second.

19 So just stepping back, one thing that we've
20 been commenting to the Legislature about since the
21 spring, and I think it's reflected in that -- in that
22 blog post you mentioned, is that we -- we've been
23 warning that there's a heightened risk of an economic
24 downturn in the near future, and that the state needs to
25 be sort of cautious about what that mean -- might mean

1 for state revenues.

2 And this was based on kind of looking at a
3 kind of a number of, you might say, leading economic
4 indicators. And that suggests that, you know, there
5 could be some weakness on the horizon for the state
6 revenues.

7 Those -- that analysis that we did looking
8 at state revenues, I think similarly applies to property
9 taxes. Although there are some factors that mitigate
10 that. With -- with California's acquisition value
11 system, the property tax is much less volatile than any
12 of those three state resources that you mentioned. I'm
13 sure you all are aware of this.

14 So we do think that there -- there is some
15 potential risk that applies to property tax as well.
16 But the downside is probably not as much as with -- with
17 the state's revenues. And it's likely to come on more
18 of a -- more of a lag.

19 Whereas the state is already starting to see
20 the cash come in weak for, like, the income tax. Any
21 effects on property taxes of, for example, the weakness
22 that we're starting to see in the housing market, could
23 take a couple of years to show up.

24 On the abatements, I -- I think it just kind
25 of depends on the details. And so that isn't something

1 that we've really looked at for me to speak to.

2 MR. VAZQUEZ: But given -- well, now that
3 you've brought this up on the abatement side, from your
4 experience and the analysis you've done, have you ever
5 looked at what may be more effective, abatements versus
6 tax credits?

7 MR. UHLER: So that's not something our
8 office has looked at specifically. But I can say this,
9 that it's not -- it's not a perfect parallel.

10 But there was a proposal a few years ago to
11 create a state opportunity -- opportunity zone tax
12 benefit to, among other goals, incentivize housing
13 development.

14 And one of the comments that we made at that
15 time about opportunity zones was that affordable housing
16 financing is already pretty complicated.

17 I think you all had some developers in here
18 at your last hearing who probably -- who told you about
19 how they have to put together seven different streams of
20 funding in order to make the projects pencil together.

21 So one of the big disadvantages of, say,
22 doing an additional piece into that puzzle for them with
23 the property tax abatements is that it's just adding
24 additional complexity to that system. Whereas, you
25 know, the alternative might be just pursuing, leveraging

1 that existing state Low-Income Housing Tax Credit, for
2 example. One that the developers are already familiar
3 with. It's already part of their financing structure.
4 So that is -- that is an important consideration.

5 As I said before, it's not necessarily a,
6 you know, a deal breaker that -- adding that complexity.
7 But you want to be sure that you're getting some sort of
8 unique benefit from this property tax piece, as opposed
9 to just leveraging what you have.

10 MR. VAZQUEZ: And you -- you just touched on
11 another issue.

12 I know that we -- we heard from other folks
13 in our previous hearings that the state needs to do a
14 better job of streamlining, maybe creating some kind of
15 a one-stop shop. Have you ever looked at, you know,
16 some of the duplicate -- maybe there's some duplication.

17 And I don't know if it's at the state level,
18 or through some of these commissions. And in hearing
19 from at least the developers on the housing side saying,
20 you know, many -- especially the non-profits. They
21 can't afford to sit back and wait two or three years to
22 get the -- put the finances together.

23 And if we were to have like a one-stop shop
24 that would streamline this thing, it would make it so
25 much easier for them to generate more housing.

1 MR. UHLER: Yeah.

2 You know, I don't -- I don't think I can
3 speak too much to that one. I've only -- I -- it's been
4 a few years since I worked on housing policy stuff.
5 I've kind of migrated over to doing the tax and economic
6 stuff now. So I don't want to speak based on some old
7 knowledge.

8 But I -- I do know -- I think in general the
9 state has tried to be mindful in past budget allocations
10 about, you know, generally putting funding into the
11 existing state programs, trying not to add additional
12 fragmentation.

13 But, yeah, there certainly are a number of
14 programs spread across a number of state agencies,
15 federal agencies. So -- yeah. I mean, it certainly
16 makes sense that the developers would have that
17 perspective.

18 MR. VAZQUEZ: Thank you.

19 MS. COHEN: Nope?

20 Yes, Mr Gaines.

21 MR. GAINES: Yeah. Great.

22 Thank you very much for all your great
23 information.

24 And I -- I'm just trying to look at this a
25 little bit from a more brand -- broader standpoint in

1 terms of declining population, that, from what I've
2 read, we've had in the last two years, and what is the
3 adverse effect from a tax perspective?

4 Because, you know, we hear about a lot of
5 these high-profile people or companies that move out of
6 the state. If we're potentially entering into a
7 recession, we talk about abatement for housing, are we
8 looking at any abatement to keep Californians in
9 California, so that they're not taking the tax base with
10 them?

11 MR. UHLER: Yeah. So I think there are some
12 existing state efforts along those lines.

13 One of the -- one of the things I mentioned
14 earlier in my comments was the California Competes Tax
15 Credit Program.

16 And one of the motivations of that program
17 is -- is that they work with -- with businesses who are
18 saying California is getting too expensive. We're going
19 to go to Texas, or whatever. And they try to put
20 together a package of tax incentives to keep those
21 businesses here. So there are some -- some efforts like
22 that at the state level.

23 As far as the general question of the effect
24 of -- of migration on tax revenues, there certainly has
25 been a lot of commentary about, especially out-migration

1 during the pandemic, and even before that it was --
2 there was kind of an accelerating trend of -- of people
3 leaving the state.

4 And that's definitely true. And it appears
5 to have intensified during the pandemic. That being
6 said, we're still kind of talking about it most
7 affecting a percent or less of -- of the state's tax
8 base in terms of all of that -- all those migration
9 flows.

10 So it's certainly an important issue. But
11 it's -- it's, you know, maybe not among the -- the top
12 factors in terms of magnitude of things that are going
13 to be affecting the state budget situation over the next
14 few years.

15 Probably much more important is just the
16 broader, kind of economic uncertainty that -- that we're
17 facing.

18 MR. GAINES: Okay. We've certainly been
19 able to create wealth through companies going public and
20 creating a lot of millionaires. And they're paying high
21 taxes. And we've got that huge surplus. We've had
22 surpluses for the last few years.

23 And so I just -- I worry about
24 sustainability, and being able to maintain that.
25 Because that's been a huge benefit to Californians in

1 terms of that extra revenue flowing in.

2 So --

3 MS. COHEN: Thank you.

4 Thank you very much, Senator Gaines.

5 MR. GAINES: Thank you.

6 MS. COHEN: Good points.

7 Mr. Uhler, you have been spot on with --

8 today with your comments. I appreciate that. I'm glad

9 they're on the record.

10 We probably will be connecting back with

11 you. I am curious to know what, historically, the state

12 has done, if anything at all.

13 So thank you for making your time to be with

14 us today.

15 Ms. Cichetti, could you call the next group

16 of speakers.

17 MS. CICHETTI: The next group of speakers

18 regarding Private Sector Perspective, Honorable Michael

19 Roos, Former Speaker Pro Tem, the California State

20 Assembly, and Eric McKean, Managing Director of Ramirez

21 and Co.

22 MS. COHEN: Thank you.

23 MS. CICHETTI: Mr. McKean will come forward,

24 and then Mr. Roos is virtual.

25 MS. COHEN: All right. Great.

1 Thank you very much. We are very much a
2 modern body. So we've got Mr. McKean, Eric McKean in
3 person, and we've got the Honorable Mike Roos online.
4 So I am going to invite the Speaker to speak first.

5 Mr. McKean, we'll hear from you second.

6 Mr. Roos, how are you? Welcome.

7 Good morning.

8 MR. ROOS: I'm fine. And good morning to
9 you, Madam Chair and Members.

10 It's a real pleasure to be with you. I wish
11 I could have accepted the personal invitation.

12 In fact, being introduced as virtual is the
13 nicest compliment I've received all week.

14 So -- so it is terrific to be with you.

15 It's hard for me to believe that it's now
16 40 years since the Mello-Roos Community Facilities Act
17 was adopted and signed into law by Governor Brown, the
18 first term, and -- actually, his second term.

19 And at the time, I must tell you that for
20 many of us, we felt it was going to be a bridge piece of
21 legislation to go somewhere else. It was designed to
22 solve an immediate problem of infrastructure development
23 in the state caused by Prop. 13 and the insistence that
24 any additional infrastructure was basically a tax that
25 should be voted on.

1 We found a solution. And here we are
2 40 years later with it being a robust tool used in
3 California to develop infrastructure and hopefully
4 affordable housing up and down this state.

5 And it's my pleasure and my reason for being
6 here, not only out of respect for this wonderful body
7 that I did a lot of work with in my 14 years with the
8 California State Assembly, but it's my honor to
9 introduce a colleague of mine at Ramirez and Company,
10 Eric McKean, a Senior Vice President, who's been
11 investment banker in the public space for 15 years.

12 Eric is a graduate of Stanford University,
13 and a person who understands the implementation of
14 Mello-Roos like no other banker that I have been
15 associated with over the years.

16 He's done, essentially, \$7 billion --

17 MS. COHEN: Wow.

18 MR. ROOS: -- in public financing in his
19 career thus far, two billion of which has led to public
20 infrastructure development for active projects that have
21 been completed with people living now in those houses
22 supported by that infrastructure.

23 He lives in the Bay Area. He has a new
24 10-month-old child. His first.

25 Welcome to parenthood, Eric.

1 And is a member of the Municipal Management
2 Association in Northern California, along with the BIA.

3 The Municipal Management Association gets my
4 attention, because it is a nonprofit that is designed to
5 help people achieve their dream of becoming city
6 managers of our cities up and down this state.

7 So without any further ado, Madam Chair and
8 Members, I introduce you to my colleague, a very
9 talented banker, Eric McKean.

10 MS. COHEN: All right. Thank you very much.

11 Mr. McKean, good to see you in person.

12 MR. McKEAN: Good to see you.

13 Good morning, Madam Chair and Board Members.

14 And thank you for having me, and thank you
15 for involving Ramirez and Company.

16 Ramirez is a public finance firm. And so we
17 specialize in raising money for public infrastructure,
18 and, in particular, housing. And we do that through the
19 CFD Mello-Roos tool that Mike just described.

20 In speaking with Madam Chair's staff, we
21 thought it'd be beneficial to talk about that tool.
22 Because there's a lot of merits to the policy that --
23 that could be relevant to this discussion, and even
24 potentially some solutions there for this backfill
25 option.

1 So we have a presentation that I'll go
2 through very quickly, because I know time is short.

3 So if you could please pull up the
4 presentation and turn to slide one, that would be great.

5 So we're going to start really with the
6 basics of what is a CFD. So a CFD is a specific area
7 where we can levy a special tax.

8 As Mike mentioned, this policy was enacted
9 as a way to create a mechanism to raise money for public
10 infrastructure.

11 It's been wildly successful. There have
12 been thousands of CFDs formed, many billions of dollars
13 raised for this important infrastructure that allows
14 housing development to occur throughout the state.

15 What's unique about it is that the special
16 tax is really flexible in how it's designed and created
17 The only thing you can't do is have it be an ad valorem
18 tax, because of Prop 13.

19 It goes on for a very long period of time.
20 So that's why we're able to sell 30-year bonds that are
21 secured by these special taxes.

22 Next slide, please.

23 So why has Mello-Roos been so successful?

24 So, first, we needed money for public
25 infrastructure. So as Mr. Roos mentioned, this was a

1 tool desperately needed by local agencies and
2 developers, because public infrastructure is very
3 expensive everywhere in the country, not just in
4 California.

5 So that was the primary reason in why it's
6 been successful. But also local agencies have really
7 jumped on this tool, because they were able to bond
8 against it and raise a lot of money upfront versus doing
9 small projects on a pay-go basis.

10 The third reason the developer community was
11 really behind this policy, and are today, they viewed it
12 as a public-private partnership, where they get this
13 very low-cost financing relative to their other capital
14 sources, and they're able to use this debt as
15 essentially off-balance sheet financing to help them
16 with their projects.

17 Next slide, please.

18 The other part that's really key here, and
19 this was mentioned on one of your prior meetings on the
20 JPA topic, what's really powerful about this tool is
21 that we raise money through the municipal bond market,
22 and it's tax exempt. So the cost of funds is very low.
23 And that's why we're able to be very competitive with
24 the cost of funds.

25 Just skipping to the bottom. The other part

1 that has been very successful is that there are really
2 established processes that provide a lot of disclosure
3 to homebuyers on what this tax is and what the annual
4 costs will be. And we'll talk about that a little bit
5 more throughout the presentation.

6 Next slide, please.

7 So here's the list of what can be financed
8 through the CFD Mello-Roos Law. This is not an
9 extensive list. But it's a sample. I won't go through
10 each one. But it's all the public infrastructure that
11 you think of for a new housing development or a new
12 commercial development.

13 You can also pay for services like extra
14 police and fire through a CFD.

15 I think the thing to point out here is that
16 all of these services are -- are of public benefit. If
17 there ever is a private use element to what's financed,
18 then the bonds that we sell become taxable.

19 So there can be a private benefit to a CFD,
20 but it does flip the economics on the cost of funds for
21 this program.

22 Next slide, please.

23 So one of the really benefit of --
24 beneficial parts of this policy tool is that you have to
25 have local goals and policies that dictate how a CFD

1 works, and how the special tax is levied. So it
2 provides really good guidelines for each local agencies.

3 Again, this is a policy that has to be
4 adopted. It creates the process with developers to be
5 very streamlined. And it just, you know, it's great to
6 have, you know, sound policies.

7 Next slide, please.

8 So each CFD has a lot of specific documents
9 and procedures that have to be followed. We have those
10 in detail in the appendix.

11 But just going through really broadly here,
12 there's always a CFD boundary map. There's a document
13 called the RMA. There's an acquisition agreement. And
14 then there's that list of authorized facilities and
15 services.

16 Every project has differences between what's
17 in these documents. But each CFD has these. And it
18 helps for the consistency and understanding of this
19 tool.

20 Next slide, please.

21 So the process here is also very public.
22 There are a number of meetings that occur when forming a
23 CFD. So residents are very aware of what's happening.
24 There's also a vote to form the CFD. And you need a
25 majority vote, two-thirds of the qualified electors.

1 That's usually not a problem, because the developers are
2 usually the qualified electors at the time of formation.

3 But that's not always the case. Actually,
4 in Marin County there's a CFD that's being formed to
5 preserve open space. And it's going to be voted on up
6 in this coming election.

7 Next slide, please.

8 So there's all these different steps that we
9 have to go through to sell bonds. I think the important
10 part to -- to talk about is the appraisal of the
11 property that ultimately is viewed as the collateral for
12 the bonds. It's -- and so the appraisal helps to value
13 the land that is secured by the bonds.

14 And then it also helps policymakers think
15 about what that special tax burden is going to be
16 relative for each home. And that's important from a
17 policy perspective to not have too high of tax rates on
18 each home. Usually the market and policymakers like to
19 have that amount be below two percent.

20 Next slide, please.

21 The security for the bonds, it's relatively
22 straightforward. That's one of the beauties here. It's
23 just a special tax that gets put on the property tax
24 bill. It's collected through the same mechanism as all
25 other property taxes.

1 There's other funds that help ensure that
2 debt is paid. But what makes this work from the capital
3 markets' perspective is there's a foreclosure covenant.

4 And I know it's an awkward thing to talk
5 about. But if people don't pay their special taxes, the
6 issuer has to foreclose on the home. That usually does
7 not happen, because we design workarounds to avoid that.
8 But just having that in place ensures that these special
9 taxes get paid.

10 Next slide, please.

11 So there's all these different credit
12 metrics. I hit on the all-in tax burden. There's also
13 coverage requirements that's needed when we sell bonds.
14 And then that value-to-lien that we talked about as well
15 and in each development is different.

16 So every bond financing is -- is different,
17 and each project is different. But the special taxes
18 really help pay for a lot of that important
19 infrastructure.

20 Next slide, please.

21 And so here's -- to close, just to show you
22 the robustness of the market. You know, every year
23 there's about two-to-three billion of issuance here to
24 help fund new housing projects. It's anywhere from
25 80 to 120 different types of CFD transactions that come

1 to market.

2 And, you know, I think what this leaves me
3 with is that there's a lot of great takeaways on this
4 tool.

5 So, first, it's a tool that's primarily used
6 for new development. It's a lot easier to craft this
7 type of tax and revenue generation with new development
8 versus existing development.

9 All the financing is pretty much done on a
10 tax exempt basis. That was important for this tool.
11 Also important for the JPA tool discussed previously.

12 And then the security for the bonds is
13 relatively consistent and understandable. And there's a
14 lot of local agency support and action required to make
15 sure that this is a great tool for all parties involved
16 with the process.

17 So I'm happy to answer questions, more on
18 the CFD and how it could be a backfill option. But
19 that's the presentation for today. And happy to answer
20 any questions.

21 MS. COHEN: Thank you.

22 I was wondering if you had any -- did you --
23 have you looked at tax abatement programs in Seattle,
24 Washington and New York?

25 Those are two examples that we heard from

1 about two months ago, examples of abatements being used
2 to build housing in a very good and positive way.

3 I was wondering if you have any analysis or
4 any thoughts around that.

5 MR. McKEAN: You know, I'm not aware of the
6 state of Washington. I did listen to the presentation
7 on -- on New York.

8 MS. COHEN: Okay.

9 MR. McKEAN: So I'm not sure if I can add
10 more color beyond that.

11 MS. CHEN: Okay. All right. All right.

12 Just wondering if you had any -- any
13 insights about CFDs.

14 I got to tell you, I'm a former member of
15 the San Francisco Board of Supervisors. And it's -- we
16 talked about the Mello-Roos all the time in terms of
17 financing a lot of our projects, open -- open park
18 space.

19 And so it's a real honor to hear your
20 presentation, and then also to meet in -- in real time,
21 I should say. In real time. Not in person, but in real
22 time. The Roos of the Mello-Roos.

23 MR. McKEAN: Thank you.

24 MS. COHEN: Thank you.

25 Let me see if my colleagues have any

1 questions. If not, I have a whole battery. But I
2 will -- I don't want to hog.

3 Okay. Go ahead, Mr. Vazquez.

4 MR. VAZQUEZ: Thank you.

5 And thank you for your presentation.

6 First, let me just thank the Former Speaker,
7 Roos.

8 I had the pleasure meeting you back in
9 Santa Monica many, many years ago when you're actually
10 an Assembly Speaker.

11 And you, Eric, your boss Ramirez has come to
12 our town and has done some stuff. Back then they were
13 doing construction bonds. And now that you're talking
14 about Mello-Roos, what's the difference between -- you
15 know, a lot of school districts and cities will float
16 bonds for construction bonds. How is that different
17 from the Mello-Roos instruction --

18 MR. McKEAN: Yeah.

19 MR. VAZQUEZ: -- or financing?

20 MR. McKEAN: Yeah.

21 So when a school or city issues bonds for
22 those types of public facilities, typically they're,
23 again, voter-approved bonds. But they're general
24 obligation bonds.

25 And so what happens there is the voters

1 approve additional tax rate on their assessed value to
2 finance those projects.

3 So that's allowed under Prop. 13, that kind
4 of voter-approved debt.

5 You know, this is similar to some degree.
6 It just typically serves a different purpose. With the
7 CFD, again, it is voter-approved just by the qualified
8 electors. And it's a special tax. It's not an ad
9 valorem tax. And so that special tax can be really
10 defined any way by that local agency.

11 And it's -- but it's a fixed dollar amount.
12 So it doesn't change over time like a GO Bond tax rate
13 may change to -- to finance those facilities, or if, you
14 know, more facilities are needed, a school district or
15 city will just issue more GO bonds.

16 So that hopefully explains the difference
17 there.

18 MR. VAZQUEZ: So you're saying the benefit
19 with using a Mello-Roos is it's locked in. It's a fixed
20 price versus --

21 MR. McKEAN: Yeah.

22 MR. VAZQUEZ: -- a GO Bond.

23 MR. McKEAN: Yeah. It's locked in.

24 And then the other benefit is it's
25 specifically tied typically to a development project.

1 So a very, very high profile right now is
2 one in San Francisco. Like Treasure Island, as an
3 example. So there's a CFD that's helping to pay for all
4 the public infrastructure that's just helping to serve
5 Treasure Island.

6 And so the whole city of San Francisco isn't
7 paying for that public infrastructure like they would in
8 a GO Bond, just the special taxes that are being levied
9 in that specific area of San Francisco.

10 MR. VAZQUEZ: So, for example, I know a lot
11 of cities throughout the state are looking at some other
12 municipal airports.

13 Like we -- we're, again, prepared to shut
14 down ours in Santa Monica. And it's 225 acres. And
15 it's restricted to recreational uses.

16 And I noticed in your presentation you
17 talked about Mello-Roos that can be used for parks.
18 Because otherwise, you know, it's a huge expenditure not
19 only to build a park, especially of 225 acres, and then
20 to maintain it.

21 And that's something that you would finance,
22 is that what you're saying, on a fixed price?

23 MR. McKEAN: You can -- you can use that.
24 That's one of the eligible facilities under the
25 Mello-Roos Law.

1 MS. COHEN: All right. You have to forgive
2 me, but we have a hard stop time right here.

3 You are definitely going to be one of our
4 experts that we continue to check in with. I think that
5 you're -- that the -- the Speaker was absolutely right.
6 You are very knowledgeable, and it's impressive.

7 So thank you for making time to come up
8 here, and thank you for making the presentation.

9 I'm sorry, colleagues. We don't have time
10 for other conversation. At this point, we have to bring
11 in our next group of speakers before we lose them.

12 Thank you, Mr. --

13 MR. McKEAN: Thank you, Madam Chair.

14 Thank you, Board Members.

15 MS. COHEN: Thank you, Mr. Speaker.

16 MR. ROOS: Thank you, Madam Chair.

17 Thank you, Members.

18 MS. COHEN: Ms. Cichetti.

19 MS. CICHETTI: Yes.

20 The next group of speakers are regarding
21 Education Community Perspective.

22 We have a few speakers, Cheryl Ide,
23 Legislative Advocate, California School Boards
24 Association, Katie Hardeman, Legislative Advocate,
25 California Teachers Association, Megan Baier,

1 Legislative Advocate, Association of California Schools
2 Administration -- Administrators.

3 And, in addition, there's an
4 Elizabeth Esquivel.

5 Okay. They've all come forward.

6 Thank you.

7 MS. COHEN: Welcome, ladies. It's good to
8 see you.

9 Cheryl, how do you pronounce your last name?

10 MS. IDE: Ide.

11 MS. COHEN: Ide.

12 Okay. Ms. Hardeman.

13 Come on, Megan, help me out.

14 MS. BAIR: Baier.

15 MS. COHEN: Baier.

16 MS. ESQUIVEL: And then Elizabeth Esquivel
17 with the California Association of School Business
18 Officials.

19 MS. COHEN: Great. Thank you very much for
20 being here.

21 This is the California Board of
22 Equalization. You heard our opening remarks. I've seen
23 you in the back of the room. So you've kind of been
24 listening to the conversation.

25 So I'm going to start with Ms. Ide. We'll

1 start here, and then we'll go down that way in terms of
2 presentation.

3 MS. IDE: If I could actually have Katie
4 start.

5 MS. COHEN: Sure. No problem.

6 We'll start with you, Ms. Hardeman.

7 MS. HARDEMAN: Great. Thank you and good
8 morning.

9 I first want to thank the Board for
10 including CTA and, you know, many of the education
11 partners here in this important conversation today.

12 Just yesterday CTA released a survey of TK
13 through 12 teachers in California, which found 80
14 percent of the teachers surveyed found it difficult to
15 find affordable housing near where they teach.

16 So we're with you. We agree. You know,
17 affordable housing is a significant problem for, not
18 only our members, but the families and the communities
19 that they serve.

20 And we want to find solutions for our
21 state's housing shortage. However, we have concerns
22 with reducing property tax revenues, including
23 abatements or deductions, as this would reduce the
24 Proposition 98 minimum guarantee for our schools and
25 community colleges.

1 And I believe Cheryl's going to get into
2 some of the mechanics around how that works.

3 We do appreciate the intent to backfill
4 these lost revenues. However, a backfill would not be
5 guaranteed, and would put schools at the mercy of
6 fluctuations in general fund revenues or the revenue
7 source.

8 Historically, the state has often
9 disproportionately reduced funding for schools to close
10 the state's budget deficit, including suspending the
11 Proposition 98 minimum guarantee. So that's sort of the
12 historical context that we have to work with.

13 And then, additionally, while education
14 funding has recently increased the past couple years,
15 California's education system has been underfunded for
16 decades, and consistently ranks near the bottom in
17 per-pupils, per-student funding among the states.

18 For comparison, quickly, you know, New York,
19 which is one of the states that you mentioned and
20 highlighted the use of property tax abatements there,
21 New York is ranked second in the nation in per-student
22 funding, and actually dedicates more than \$12,000 per
23 student more than we do here in California.

24 MS. COHEN: I'm sorry. 12,000 --

25 MS. HARDEMAN: Per student more.

1 MS. COHEN: More.

2 So what's the total figure that they --

3 MS. HARDEMAN: So the numbers --

4 MS. IDE: It's like 25. It's like 25, 26.

5 MS. HARDEMAN: Yeah. The numbers are from,

6 you know, a couple years old. But \$25,000 per student.

7 MS. COHEN: Thank you. Okay.

8 MS. HARDEMAN: Of course, they also don't

9 have Prop. 13. So there's that.

10 In summary, we urge the Board to consider

11 other solutions that do not harm our schools or

12 destabilize education funding.

13 We've submitted a coalition letter with

14 members of, you know, the education community. I have

15 copies if you need one.

16 And happy to answer any questions.

17 MS. COHEN: Great. Thank you very much.

18 We did get the letter.

19 Oh, yeah. That's right. We do have -- yes.

20 I'm sorry. I got excited.

21 Yes. Thank you for your presentation.

22 Who would like to speak next?

23 MS. IDE: I can go on.

24 MS. COHEN: Okay.

25 MS. IDE: I'll get a little bit more of the

1 technical details.

2 MS. COHEN: Okay.

3 MS. IDE: Good morning, Chair and Members.

4 Cheryl Ide on behalf of the California
5 School Boards Association.

6 And I want to say a big thank you for the
7 opportunity to provide some feedback from schools and
8 the perspective. And specifically how property tax
9 abatements impact our overall funding.

10 So the proposition minimum guarantee --
11 Proposition 98 minimum guarantee is currently in a test
12 one. That's how we fund education in here. And it
13 distributes about 38 percent of the state's general fund
14 throughout -- for all schools.

15 We also have the local control funding
16 formula that takes that funding, and then distributes on
17 an equitable base, recognizing that each students have
18 different needs based on where they are. If they are
19 low income, if they are Foster youth, if they are an
20 English learner, recognizing the challenges there, as
21 well as special education.

22 In a test one year, property taxes have a
23 dollar-for-dollar impact. So every dollar lost is a
24 dollar less in the classroom. Which is why we're very
25 sensitive to that. And both the LAO, and our colleague

1 formerly who spoke, and the Department of Finance have
2 said that we are in a test one for the foreseeable
3 future as far as they forecast out. So we're in a very
4 sensitive condition in that case.

5 Property taxes account for about 25 percent
6 of our total funding in education. So it's a, you know,
7 it's a big piece for us. And our funding is quite
8 vulnerable, as we know, to all of the fluctuations that
9 we see in general fund. While property taxes tend to be
10 the most stable one.

11 So we are very, very sensitive to any kind
12 of imbalances there. And we want to make sure that we
13 have that consistent source of predictability when we
14 look to being able to educate our children.

15 And so while we appreciate the Board's focus
16 on the efforts to include a backfill for revenue lost
17 due to the abatements, because that's, you know, a
18 really big deal to us. Historically, we really just
19 don't have a precedent. We've never seen any kind of
20 backfill seen for any kind of tax expenditures,
21 including any kind of abatements, or anything looked at
22 that.

23 And so when we see that the forecasts are
24 that we are in the billions of less in revenue, just
25 from Budget Act back in June, we have a lot of concerns

1 about that continuing to be something that we could look
2 forward to and count on as a sustainable source of
3 revenue for us.

4 And then as previously stated by my
5 colleague from CTA, we recognize that this is supposed
6 to address the missing middle, which that includes our
7 teachers, our staff, and our students. We want to
8 ensure that. Because development without 100 percent
9 security of that backfill isn't going to support the new
10 families it's going to bring in. And so it's going to
11 put more pressure on our students, not just for today,
12 but for tomorrow, as these communities are built.

13 So we believe that there are other targeted
14 programs that you could look to. Many of them were
15 mentioned by the LAO. We have some that are
16 specifically targeted through CalHFA for teachers, for
17 classified staff members to be able to access housing.

18 And so, you know, more funds to be available
19 to different programs that we know that we have that are
20 existing, are things that we know don't affect our
21 bottom line in our budgets.

22 And that's what we -- that's what we would
23 recommend as something to look to.

24 MS. COHEN: Appreciate that. Thank you.

25 Ms. Baier.

MS. BAIER: Thank you.

Megan Baier with the Association of California School Administrators.

We represent about 18,000 members statewide, superintendents, principals. A pretty diverse subset of school leaders. And we really appreciate the attention to this issue.

We are literally losing teachers and staff every day because they cannot afford the price of housing. And despite a really good budget last year and good -- the ability of many districts to give raises across the board, it's not enough to combat the incredibly high cost of housing in most of the state. So it's a very important issue, and we very much appreciate the attention.

I just want to echo the sentiments of my colleagues, however. We, in general, have concerns with tax abatement, tax credits, because of the impact to Prop 98. This is because the way we've designed to fund our education system, frankly.

So, you know, we appreciate the attention. And we would just urge consideration of other strategies to combat and tackle this really important issue.

MS. COHEN: Okay.

MS. BAIER: Thank you.

1 MS. ESQUIVEL: I'll be very quick. And in
2 case you all have any questions.

3 But, again, Elizabeth Esquivel with the
4 California Association of School Business Officials,
5 representing 24,000 members throughout the entire state,
6 mainly chief business officials and directors from
7 13 different disciplines.

8 So our focus is really making sure that we
9 have sustainability within our funding so that we can
10 continue to serve our students and our schools.

11 So we really do appreciate the need to find
12 further funding for housing. But, again, continue to
13 express those concerns about putting schools at the
14 mercy of fluctuations and general fund revenue. So for
15 us, it's really just a funding stability that we want to
16 continue to maintain.

17 Thank you.

18 MS. COHEN: Thank you very much.

19 Both Ms. Baier and Ms. Hardeman, you both
20 alluded to encouraging us to look at other solutions. I
21 was curious if you had any solutions that you could --
22 would -- you would like us to consider.

23 MS. HARDEMAN: I'm not a housing expert.
24 But I think, you know, given the intent to sort of
25 backfill, right, using general fund, we would encourage

1 instead to just look at using general fund or whatever
2 revenue source --

3 MS. COHEN: On the front end.

4 MS. HARDEMAN: -- to provide, you know,
5 targeted grant programs. So that's really targeted to
6 the -- the audience that we're looking at.

7 MS. COHEN: Okay. Okay.

8 I see you, Mr. Vazquez.

9 MS. BAIER: And I would just second that.

10 We would just prefer to see it on the front
11 end. So then if there is a dip in revenues, we don't
12 get left holding the bag when the backfill can't come in
13 because revenues drop.

14 MS. COHEN: Yeah.

15 I wanted to know -- to certainly be on the
16 record. I appreciate your -- the concerns that you're
17 raising.

18 And this -- I don't know if you heard my
19 opening remarks. We're not -- we're exploring. We're
20 not -- we -- we don't have preconceived notions. We
21 don't have commitments. We don't have an idea on the
22 direction that we want to go in. This is a genuine
23 heartfelt process of just exploration.

24 You heard from one of the previous speakers.

25 I don't believe the state of California has moved in

1 this direction before. And perhaps this is probably one
2 of the -- this could be a reason why. So we're just
3 exploring all of our options and seeing what's out
4 there. So I just wanted to assure you of that.

5 Mr. Vazquez.

6 MR. VAZQUEZ: Yes. Thank you for your
7 presentations.

8 And as a former teacher, I'm very sensitive
9 to the, not only the needs that you have coming forward
10 in the future with education, but just salaries.

11 You know, when I was teaching, it was
12 ridiculous with what they were paying teachers. Not
13 that it's much better now.

14 But I was wondering on the housing front, do
15 you have -- I guess it may be more of a question from
16 the CTA, looking at the state level of the districts,
17 and maybe you folks on the other side with the
18 administrators.

19 Is there -- do you know of any kind of an
20 inventory -- I asked the Superintendent, and he wasn't
21 aware of one -- that would give us what vacant lots in
22 districts have sitting, idling throughout the state of
23 California that possibly could be used for workforce
24 housing?

25 MS. HARDEMAN: Right.

1 MR. VAZQUEZ: Because that wouldn't impact
2 taxes, and it wouldn't take anything away from your
3 budget.

4 MS. HARDEMAN: Right.

5 I -- I don't have an inventory. I -- I can
6 check around. But I don't think we track that.

7 MS. IDE: We don't have a statewide
8 inventory. I know that there are districts that have
9 floated ideas like that. But I haven't heard of any of
10 them coming to fruition.

11 MS. HARDEMAN: And there have been, you
12 know, ideas in the Legislature around incentivizing
13 districts to develop housing on, you know, vacant lots
14 in district-owned lands.

15 I think some of the heartburn that we have
16 is, you know, our school districts then becoming
17 landlords, and all of those issues that play into that.
18 So they're -- it's a complex issue for sure.

19 MS. IDE: Yeah.

20 There's -- there's other things too. If
21 you -- if I can chime in a little bit.

22 Some of the conditions in which you have for
23 building, as far as low income housing, they may be so
24 low because they're at the federal level. They don't
25 necessarily encompass those salaries that we have at

1 district levels. You mentioned that they're low
2 salaries, but they're not low enough considering the
3 federal level.

4 So when you combine those types of tax
5 credits at those thresholds, it actually eliminates most
6 school staff to be able to access the housing that they
7 were to build on their vacant lots and surplus property.

8 MR. VAZQUEZ: Well, at some point it'd be
9 good to -- well, the superintendent sounds like he's
10 willing to work with us.

11 And maybe they need to work with you folks,
12 especially CTA, that has access to all these districts.
13 Because it sounds like it's more of a district-wide
14 thing that we could do, at least to have them look at
15 inventory, not only of vacant lots, but maybe
16 underutilized lots that they have.

17 Because I know LAUSD had this big boom.
18 They were building so many schools. And I think a lot
19 of them are very underutilized now, the schools.
20 Because enrollment has jumped -- hasn't taken off to the
21 projections that they thought.

22 MS. HARDEMAN: Yep.

23 MR. VAZQUEZ: Okay.

24 MS. COHEN: Any questions down here?

25 Yes, please.

1 MR. GAINES: Yeah.

2 Thank you very much for your presentations.

3 I appreciate it.

4 And we had Brian Uhler here from the LAO.

5 And he did have the suggestion of the state making tax

6 payments upfront.

7 Would that avoid the Prop 98 issue that you

8 rose -- or you raised earlier?

9 MS. HARDEMAN: I don't believe so. But I'd

10 have to -- to check on how the mechanics would work

11 there.

12 But, again, I think we would still have

13 concerns around the volatility of general fund to make

14 those payments, right? Instead of, you know, just being

15 straight property tax.

16 MR. GAINES: Okay. And I'm just wondering

17 if these -- you're representing numerous organizations,

18 but in terms of CEQA reform, would you be willing to sit

19 at the table in terms of taking a look at that and

20 figuring out a pathway?

21 Because that would -- that, in and of

22 itself, is another avenue in terms of reducing

23 construction costs in California.

24 MS. IDE: There's -- actually a trailer bill

25 included a piece of CEQA reform as far as school's

1 ability to institute impact mitigation.

2 In this most recent trailer bill, AB 185,
3 specifically that created additional steps for us to
4 take place in order to mitigate, to use CEQA mitigation
5 as part of our process. It makes it more difficult for
6 us. Just to -- I would note that.

7 CEQA mitigation is something that, you know,
8 can be used. Because if we don't have the facilities to
9 be able to house the children that the development
10 brings in, it makes it more difficult for us to utilize
11 that.

12 So I would add that -- that it's something
13 that we have -- we've already kind of touched that line.
14 And so we're pretty sensitive to it right now.

15 MR. GAINES: Yeah.

16 Are you -- so are you -- are you saying that
17 you're suffering some -- some of the same challenges
18 that homebuilders are --

19 MS. IDE: No.

20 MR. GAINES: -- from the CEQA standpoint?

21 MS. IDE: So because districts are, you
22 know, local, you know, local districts are, you know,
23 effectively local governments in a way, we actually have
24 the ability to use CEQA when there's development that
25 doesn't -- and there's not enough funding to be able to

1 support the construction of schools to be able to pay
2 for it.

3 MR. GAINES: Okay.

4 MS. IDE: So it is one of one of the tools
5 in our toolkit to ensure that schools are built.

6 But when the state doesn't have enough
7 revenue to be able to support the construction of
8 schools and the bond authority is used up, it is
9 something that we can use to say, hey, the development
10 has to -- you know, we have to really watch this.

11 We have to make sure that we get funding so
12 that we can build the schools to be able to support the
13 kids that come in.

14 MR. GAINES: Okay.

15 MS. IDE: So I just -- I mentioned that, and
16 that like -- it is something -- that kind of reform is
17 something that we have already just recently touched,
18 and we're very sensitive of it.

19 MR. GAINES: Okay. All right. Very well.

20 Thank you.

21 MS. COHEN: Is there any --

22 Yes.

23 MS. ESQUIVEL: I just wanted to quickly add
24 to Mr. Gaines' comment about just declining population
25 in the state.

1 We're seeing the same trend with schools and
2 school districts. And so whether we be -- we're
3 currently funded on the ADA, the Average Daily
4 Attendance. There's conversations about being funded on
5 enrollment. But despite being funded through ADA or
6 enrollment, we're still seeing the trend of declining
7 enrollment. Which is, again, how we are being funded.

8 So this brings back that -- that
9 cautiousness of the uncertainty when it comes to the
10 stability of how we're funded, and the funds that we
11 receive.

12 MR. GAINES: I appreciate that. Thank you.

13 MS. COHEN: Thank you very much.

14 Unfortunately, we are out of time. But I
15 just wanted to, again, reaffirm that we heard you, and
16 we are -- we'll take your feedback under -- under
17 serious advisement.

18 I'm a public school kid, so, like
19 Mr. Gaines, really sensitive to the concerns that you
20 all raised today.

21 Thank you.

22 MS. HARDEMAN: Thank you.

23 MS. IDE: Thank you.

24 MR. VAZQUEZ: You looked at me and you said
25 Mr. Gaines.

1 MS. COHEN: Oh, I'm sorry.
2 That's Mr. Gaines, but this is Mr. Vazquez.
3 Yes, I did. Thank you.
4 All right. Thank you.
5 Okay. Ms. Cichetti.
6 MS. CICHETTI: Yes.
7 The next group of speakers to present are
8 from the city and county government perspective.
9 The speakers are Mark Neuberger, Legislative
10 Advocate, California State Association of Counties;
11 Geoffrey Neill, Legislative Advocate, California State
12 Association of Counties, and Nicolas Romo, Legislative
13 Affairs, Lobbyist, Revenues and Taxation, League of
14 California Cities.
15 MS. COHEN: Fantastic.
16 We had a panel of ladies, now you have a
17 panel of men. I love this. This is pretty -- this is
18 pretty interesting.
19 So, gentlemen, thank you for being here. I
20 saw you in the back of the chamber. You've seen and
21 heard a lot of the conversation over the last two hours.
22 Now I'm looking forward to hearing your comments.
23 Mr. Neuberger, I have you on my agenda to go
24 first. Is that okay, or do you want to --
25 MR. NEUBERGER: Actually, I'll have Jeff go

1 first.

2 MS. COHEN: All right. There it is.

3 Mr. Neill, the floor is yours.

4 MR. NEILL: Thank you.

5 And always good to see a couple of county --
6 former county supervisors in state office.

7 I want to start with a response to
8 Mr. Uhler's comments earlier where he -- he felt
9 uncomfortable or uneasy, I think he said, speaking for
10 local agencies, that we would be uncomfortable with
11 reimbursement, the property tax. And he was spot on.

12 I think that is, as with the education panel
13 just before us, that that would make us uneasy for
14 exactly the reasons that they noted.

15 You know, the Legislature cannot bind a
16 future Legislature. So the -- the reimbursement is
17 certainly good in the year that it's first appropriated.
18 And then after that, it's always up to the -- up to
19 the -- the whims, I guess, of the -- of the future
20 legislators the next year, or five years down the line,
21 whenever it is.

22 There are a number of -- so the upfront
23 funding holds, I think, a lot more promise if all of the
24 funding is provided at once upfront. If it's over a
25 five-year period, I think you run into, you know, the

1 same issue again. There's some way of locking that in.
2 It would -- it would create some more -- some more
3 certainty.

4 You know, there are -- and so that upfront
5 payment on behalf of the developer could work that --
6 that Mr. Uhler was -- was mentioning. That there are
7 still issues around it. You know, if there's a
8 liability for nonpayment, if it is, you know, not, for
9 example, constitutionally required or required by the
10 terms of a bond or some other more secure device like
11 that.

12 The other models that we've heard about or
13 that we've -- that we've considered all have, you know,
14 different reasons for concern, whether that's for a
15 reduction in revenue. Sometimes it's just a cash flow
16 issue, you know, you get the money later, but you have
17 to give it up for now.

18 A lot of local agencies have, you know,
19 or -- or have cash flow needs that are -- that are
20 already barely being met. Or sometimes workload issues,
21 because the property tax is the only tax -- the only
22 major tax in California, anyway, that is administered
23 entirely at the local level. The state isn't involved
24 at any point in the process. Any changes to the way the
25 property tax is done does, in terms of collecting, you

1 know, assessing, collecting and distributing the money,
2 of course the -- the utilities and railroads accepted,
3 since that's the BOE.

4 So the Mello-Roos -- the Mello-Roos idea,
5 you know, that was mentioned earlier is -- is
6 interesting in this context, I just want to address it
7 because the previous speaker did or the -- just prior to
8 the education panel.

9 Because in the case of developments, you
10 know, that delaying the tax, you know, have it paying
11 the bond, and then having it be paid off over a number
12 of years, it makes it easier for the developer. Because
13 the developer doesn't have to bear that cost. It is
14 then borne by the people who purchased the homes that
15 are built with all that infrastructure that the
16 Mello-Roos bond paid for.

17 My understanding was that in this case,
18 the -- the units would be rented out instead of sold.
19 So presumably be the same owner. So they would --
20 sounds like they would just be deferring their own tax
21 liability to a later date. And so I'm curious if that
22 affects the -- the usefulness of the model for this
23 purpose.

24 My last comment is just the -- the, you
25 know, to the point of -- of, you know, having local

1 agencies decide to -- whether to implement this in their
2 communities. That it's just to point -- point out that
3 the property tax growth, especially over the last 10 or
4 15 years, has been very uneven in this state. And many
5 counties, most counties, in fact, have less revenue per
6 capita, property tax revenue per capita than they did
7 before the Great Recession, now over a decade ago, in
8 real dollars.

9 And so those are the sorts of things that
10 can be taken into account when the decisions are made
11 locally, but are harder when it's the state making it on
12 behalf of the local community.

13 MR. NEUBERGER: All right.

14 Thank you, Geoff.

15 Thank you. Well, I want to thank the Board
16 for the invitation.

17 I'm Mark Neuberger with the California State
18 Association of Counties.

19 I'm the Legislative Representative for
20 housing land use and transportation issues.

21 Counties definitely recognize the state's
22 housing supply challenges and understand the need to
23 take steps to address that, which the proposed tax
24 abatement policy would do.

25 But in regards to the specific proposal from

1 a housing and land use perspective, we would recommend
2 any proposal retain local control aspects, and not be a
3 buy-right program.

4 And, essentially, from coming from the
5 perspective that this would allow counties to ensure
6 that housing development seeking this kind of tax
7 abatement, that they would align with county plans and
8 assist counties in meeting their -- their require -- or
9 their portion of the Housing Community Development
10 Regional Housing Needs Allocation that their counties
11 are responsible for ensuring gets built in the future.

12 A major part of the county control
13 perspective is to allow to support county efforts to
14 incentivize housing development projects that might be
15 eligible for any sort of tax abatement to make sure that
16 they address the -- the low and the middle-income
17 housing supply that's missing from the state's housing
18 supply, and continues to be a challenge for the state to
19 meet.

20 That's, you know, the main kind of a goal
21 that we -- that counties are interested in ensuring that
22 they can do to meet the state's housing needs.

23 And I'll pass it along to Mr. Romo.

24 MS. COHEN: All right. Thank you.

25 MR. ROMO: Hi, there.

1 MS. COHEN: Hi, Mr. Romo.

2 MR. ROMO: This is Nick Romo with the League
3 of California Cities.

4 Thank you, Chair, for the invitation.

5 Since -- I sound like a broken record. But
6 since 2011, the dissolution of redevelopment, cities are
7 really being proactive to try to rebuild that tool with
8 some intention to bring back the ability to build
9 affordable housing, economic development, and economic
10 development projects.

11 One of the things that was done when we
12 recreated -- and we've been using the Mello-Roos bonds.
13 But we recreated, Enhanced Infrastructure Financing
14 Districts, Community Reinvestment Act, district. It's a
15 whole alphabet soup of available tools.

16 One of the things that was done was to
17 protect, in all those tools, the school share property
18 tax is exempt from the property tax increment. So the
19 schools are protected locally.

20 One of the things that you've been asking --
21 and that does diminish the power of those tools. But
22 one of the things we've been doing, and I think we could
23 work with the Board here, and a lot of state leaders, is
24 to -- we've been asking for years for the state to
25 invest, you know, \$500 million a year at least to help

1 cities and counties build up the Tax Increment Financing
2 districts, or to support the Mello-Roos bond process.
3 The state will be involved in deciding kind of what
4 types of projects are invested in. Which in this case
5 could be affordable housing projects across different
6 AMIs.

7 So we're really -- we think that we could be
8 proactive in this space. We can protect some of the
9 schools' property tax issues. We can let local
10 governments decide how much to invest, while protecting
11 local property taxes, to -- to the degree that they know
12 best to do. While the state can also be involved as a
13 partner with local governments to invest in the types of
14 projects it wants to see. The types of projects I
15 believe this working group wants to see, you know,
16 missing-middle projects.

17 And in this way, it does achieve, in some
18 ways, what all the previous speakers have said. You
19 know, talking about how to invest and multiply the
20 amount of money that we need. We all know we need a
21 significant amount of money. And that could be a huge
22 hit to the state budget.

23 But if money from the state budget is used
24 to multiply local investments, I think then we're really
25 tapping into lots of funds for these sorts of projects.

1 So League of Cities last year and the year
2 prior has been asking for significant state, you know,
3 ongoing significant state budgeting investments. It
4 could be year, over a year, as the state looks at its
5 budget condition. But to help us really build out what
6 the post-redevelopment world looks like.

7 Cities are ready to do this. We have dozens
8 of EIFDs, we call them, Enhanced Infrastructure
9 Financing Districts. We have dozens of those in the
10 works.

11 We have two of them just in our own backyard
12 here. The city of West Sac and city of Sacramento have
13 been working on these tools. But they lack the state
14 investments that are needed.

15 And I think, in this way, we can help
16 protect what we need to protect, and invest in what we
17 want to invest in.

18 So, in that way, I think we share the cost
19 as a whole, cost of our communities to the housing that
20 we need to build.

21 So I'm really excited, and Cal Cities is
22 really excited to partner with all of you to try to get
23 those investments, have them be intentional, and direct
24 those to the type of housing we'd like to see built.

25 MS. COHEN: Okay. What type of housing

1 would you like to see built?

2 MR. ROMO: Well, we need housing of all
3 kinds. We know that. But we do see that the missing
4 middle is a key portion, right?

5 But, you know, we know that the hardest nut
6 to crack is sort of really affordable housing. But I
7 think it's all of the above. That's Cal Cities'
8 position. It's all-of-the-above housing.

9 And so if this is a tool we'd like to use, I
10 think certainly we can work on directing some of those
11 funds to tackle these types of projects and help -- help
12 the development of these projects.

13 MS. COHEN: Thank you.

14 Let me see.

15 Mr. Gaines, do you have a question?

16 Mr. Schaefer?

17 Okay.

18 MR. GAINES: I do. Yeah, if I could.

19 MS. COHEN: Go ahead.

20 MR. GAINES: Yeah. Thank you.

21 My question is of Geoffrey Neill.

22 And thank you for your presentation.

23 And I'm just trying to get it a handle on
24 the -- the per capita revenue as it relates to property
25 tax. Because it's my understanding with Prop 8 you have

1 the ability to reduce value, right? We went into the
2 Great Recession. But the county also has the ability to
3 increase that tax as those values come back. And so I
4 was of the understanding that we had -- we had gained
5 back all those losses in value, and maybe even exceeded
6 it.

7 But you're -- you're telling me something
8 different. And I just -- can you give me more -- a
9 little bit more information so I understand that better?

10 MR. NEILL: Sure. I'd be happy to.

11 A couple of things. One is that in -- in
12 several counties, they've had very healthy property tax
13 increases to that point.

14 When you look at the number of counties, as
15 you know, for example, in the area of the state that
16 you're from, the counties are small. There's not as
17 many -- there's a lot of counties in -- in less
18 populated areas. That's part of it.

19 And part of it is that we're looking at it
20 in, you know, as population grows, and as inflation
21 increases, you know, those are cost pressure. We're
22 really looking at the amount of services that you can
23 buy with the amount of property tax. So the -- in -- in
24 plain dollar amounts, if you just look at it, I think,
25 essentially, every county is recovered.

1 But the other piece of it is the number of
2 things happened in the Great Recession that weren't just
3 Prop 8 reductions. For the properties that changed
4 hands, for example, in the areas where there are a lot
5 of foreclosures, Prop 13 locks in the assessed value at
6 the, you know, in those cases, foreclosure prices.

7 MR. GAINES: Okay.

8 MR. NEILL: So you have a home, for example,
9 or another building that could be worth several hundred
10 thousand dollars, but it was bought in foreclosure for
11 30 or 40 or 50 or \$80,000. As long as it doesn't change
12 hands, for example, if it was bought by an investor,
13 that's then holding onto it, that -- because Prop 13, it
14 locks in that value.

15 MR. GAINES: Sure.

16 MR. NEILL: So there were a number of things
17 that -- that occurred. But part of it is the increase
18 in population. Part of it's the effect of -- of
19 inflation. Not -- not currently, but --

20 MR. GAINES: Yes. Okay.

21 So per capita, that would decline even if
22 the revenue was the same.

23 MR. NEILL: Yes.

24 MR. GAINES: And would decline with more
25 people.

1 MR. NEILL: So what we're looking at with
2 that analysis is the amount of services that you could
3 provide --

4 MR. GAINES: Yes.

5 MR. NEILL: -- to people in the community.

6 MR. GAINES: Right.

7 And if you're buying a home at a, let's say
8 it was half price because of the Great Recession, and
9 you bought that home, then you would lock that value in.
10 Which is good -- great for the homeowner, right, because
11 that value only goes up one percent a year.

12 But it hurts you from a government
13 perspective in terms of revenue coming in and providing
14 services.

15 MR. NEILL: And I think the last piece of it
16 is really just the -- the recovery, the early years of
17 the recovery in particular were very localized.

18 MR. GAINES: Okay.

19 MR. NEILL: They weren't broad-based.

20 MR. GAINES: Okay.

21 MR. NEILL: So I think that's another --

22 MR. GAINES: That's very helpful. Thank
23 you. Appreciate it.

24 MS. COHEN: Unfortunately, we are out of
25 time.

1 Mr. Neuberger, you don't get a question.

2 MR. NEUBERGER: That's fine.

3 MS. COHEN: But I hope that you will remain

4 available to us if we reach out to you for more -- for

5 clarification.

6 Thank you, gentlemen, for making this a

7 priority and joining us today.

8 MR. NEUBERGER: Thank you.

9 MR. NEILL: Thank you.

10 MS. COHEN: You're welcome.

11 Ms. Cichetti.

12 MS. CICHETTI: The last group of speakers on

13 this topic to present are from the Labor Perspective.

14 We have Jeremy Smith, Deputy Legislative

15 Director, State Building and Construction Trade Council.

16 MS. COHEN: All right.

17 How you doing, Mr Smith? It's good to see

18 you.

19 MR. SMITH: I'm well. Thank you.

20 President Meredith sends his regrets. He's

21 actually chairing a Executive Board Meeting of the State

22 Building Trades Council as we speak, previously

23 scheduled.

24 MS. COHEN: Not a problem. Understood.

25 MR. SMITH: You are stuck with me today.

1 Appreciate the time.

2 MS. COHEN: We receive you well --

3 MR. SMITH: Thank you.

4 MS. COHEN: -- open arms.

5 So why don't we go ahead and jump right in.

6 Let's hear your presentation.

7 MR. SMITH: I'm ready to go.

8 MS. COHEN: Thank you.

9 MR. SMITH: We appreciate the opportunity to

10 be invited to speak on the policy proposal of property

11 tax abatements to spur the development of affordable

12 housing.

13 As I said, my name is Jeremy Smith. I'm the

14 Deputy Legislative Director of the State Building and

15 Construction Trade Council.

16 We're the umbrella organization of

17 construction trade unions in California and represent

18 over 450,000 construction workers along with over 70,000

19 apprentices.

20 Three-quarters of our apprentices are people

21 of color. One in five come from Foster Care, are

22 emancipated youth, or come from the criminal justice

23 system. And we advocate for them as part of the labor

24 movement for their wages, benefits, health and safety.

25 And of all the women in apprenticeship in California,

1 the majority are in joint labor management programs,
2 programs jointly managed by our contractor partners, the
3 programs of the billion trades.

4 Our members and their working families
5 across the economic spectrum are increasingly spending
6 more of their income on housing costs.

7 We are the labor movement, the construction
8 labor movement. We tend to make higher salaries, better
9 wages than other parts of the economy. And even our
10 members are struggling in certain parts of the state.
11 They feel this as acutely as anyone else.

12 Even for many of our members, it's
13 impossible to afford fair market rent for a two-bedroom
14 apartment, let alone -- let alone entertain the dream of
15 owning their own home.

16 We want to be part of a solution to that.
17 But we cannot address one crisis by causing another.
18 And we cannot allow the solution to be the cause of
19 exploitation of residential construction workers.

20 Let me start with the availability of a
21 work -- of a workforce. Many previous speakers from
22 your July hearing have lamented the, quote, "lack of
23 available workers," unquote. We heard from speakers
24 who, quote, "believe," unquote, there are not enough
25 construction workers to meet the demand, and who have

1 heard that it's hard to find construction workers who
2 claim also that there are not enough training
3 opportunities for women, people of color, or veterans.

4 We heard that the state needs to do outreach
5 to attract more second-chance workers. Not one person
6 stated how many workers the industry actually needed.
7 They just know, quote/unquote, that there aren't enough.

8 We cannot disagree more. We would instead
9 say that there aren't enough workers willing to work for
10 low wages. And that it is most likely the cause of the
11 shortage the developers complain about.

12 The Building Trades, in partnership with our
13 contractors, provide opportunities to workers from all
14 walks of life. As I mentioned, they are jointly
15 administered state-approved apprenticeship programs.

16 They train -- we train veterans through the
17 Helmets to Hardhats program, provide pre-apprenticeship
18 training through the Multi-Craft Core Curriculum. And,
19 as I mentioned, train the largest number of women in
20 minorities in the California state-approved
21 apprenticeship system.

22 And we provide that training at almost no
23 cost, in many cases free to anyone who wants it.

24 We believe the available workforce exists,
25 if housing developers could see past the business model

1 that results in the exploitation of construction
2 workers.

3 Instead, we heard in previous meetings of
4 this body on this issue without proof that there aren't
5 enough workers. And that one way to provide more
6 workers is to reform the immigration system.

7 To us, that means finding workers who are in
8 a position to be exploited and to do heavy construction
9 work, real construction work, for the low wages in the
10 underground economy.

11 We heard that we need to open up the
12 workforce to more ergonomically easier work by
13 incentivizing factory and modular construction, an
14 industry that exists to make a profit by taking jobs
15 away from construction workers.

16 We heard about all kinds of different ways
17 to not use the ready and available workforce that
18 already exists, apprentices and journeymen and
19 journey-women who are graduates of state-approved
20 apprenticeship programs.

21 We believe the profit motive, the obsession
22 to make money, providing desperately needed housing that
23 we all agree is needed is the real problem.

24 And I'll reiterate again, we represent
25 450,000 construction workers. We represent 70,000

1 apprentices in the state-approved apprenticeship system.
2 Which is a number that we think is more than willing and
3 able to meet the demand.

4 Listening back to your previous hearings
5 earlier this summer, I was struck by how many speakers
6 were here who have a vested interest in the system, who
7 make money off the system.

8 We agree with some of them that reforms are
9 needed to the housing finance system, and that the
10 dissolution of RDAs has severely hampered the ability to
11 build. However, whether it was developers, builders
12 advocates for affordable housing, we heard over and over
13 about the need for more money from the state, more
14 streamlining, and more help with permitting, despite the
15 fact that there have been several bills and regulatory
16 changes in the last decade that provide all of that.

17 Yet, here we -- here we all are, still
18 debating this issue, all in the name of making profit
19 off the system and unfortunately off the backs of a
20 low-wage largely immigrant-driven workforce, willing to
21 work on job sites in the underground economy for low
22 wages, where robust labor health and safety laws are
23 ignored.

24 Unfortunately, as we've seen residential
25 construction, other industries, such as warehouse work,

1 farm work, and the economy, exploitation of workers are
2 still rampant. We know this is happening. We organize
3 workers who tell us that they were paid under the table,
4 often in cash, with no benefits or protections under the
5 law on residential job sites.

6 We hear stories of workers who felt they had
7 no ability to speak for themselves or their co-workers
8 because they feared retaliation.

9 What some of the previous speakers want are
10 workers that can -- they can pay substantive wages to,
11 who are not empowered by their legal rights, and will
12 not dare complain about safety on the job or incorrect
13 pay stubs.

14 Some of the very workers who spoke in recent
15 panels represent some of these -- some of those
16 developers who exploit workers.

17 Not all developers are bad. I'm not
18 painting a broad brush here. However, many of those
19 groups oppose every single bill that has proposed or
20 amend -- amended at the Legislature that deals with
21 housing streamlining, that also require the use of a
22 skilled and trained workforce, amendments to legislation
23 we always insist on.

24 This requirement to use a skilled and
25 trained workforce means that a percentage of the workers

1 on the job site are graduates of state-approved
2 apprenticeship programs. And there are nonunion and
3 union state-approved apprenticeship programs. This is
4 not a union/nonunion battle thing here.

5 What might be most important about the
6 skilled and trained workforce requirements is that it
7 just doesn't mean -- it doesn't just mean that workers
8 are experts in their craft. It means they know their
9 value as a worker. They know when they are -- when they
10 or their colleagues are being taken advantage of, and
11 they are empowered to blow the whistle.

12 They know their worth as a worker. And that
13 is exactly why some developers don't want them on job
14 sites. The labor movement exists to thwart bad actors
15 in the employment space who have used and will use any
16 sliver of daylight and statute to not treat blue-collar
17 workers legally and with respect.

18 A favorite bus phrase from the developer
19 community is that strong labor standards such as skilled
20 and trained won't allow housing projects to, quote,
21 "pencil out," unquote. Treating workers and their
22 families fairly should always pencil out.

23 What doesn't pencil out is the amount of
24 money the public would need to provide to help build
25 enough affordable housing to cover the need that is

1 driven by poverty wages and no benefits.

2 As it stands, data show 40 percent of the
3 people enrolled in California's mean-tested safety net
4 programs are from -- are from unrepresented residential
5 construction working families. So we're already
6 subsidizing the profits of these developers.

7 It's appropriate that publicly-subsidized
8 housing projects set the highest standard for public
9 benefit, and that includes job quality standards.

10 I want to say one word about CEQA. A couple
11 words about CEQA, and then I'll wrap up.

12 MS. COHEN: I was going to say, just one on
13 CEQA?

14 MR. SMITH: A couple.

15 MS. COHEN: Okay.

16 MR. SMITH: I encourage you all to look at
17 the analysis for SB 1118 from the Senate Judiciary
18 Committee from this past session.

19 All the data are complete according to the
20 analysis. Three recent studies have found CEQA
21 litigation rates of between one-and-three percent.
22 We've heard often here that CEQA is the problem. That
23 streamlining needs to happen.

24 It's important to note that discovery in
25 CEQA cases is generally not allowed, as CEQA cases are

1 generally restricted to review of the record. The
2 concurrent preparation of the record of the proceedings
3 is required to enable judicial review to occur sooner.
4 Counties over a -- with a population of over 200,000 must
5 designate one or more judges to develop expertise on
6 CEQA and hear CEQA cases. And that, if feasible, the
7 Court of Appeal must hear a CEQA appeal within one year
8 of filing.

9 To wrap up, we are here today to be the
10 voice of workers. We understand that there's a housing
11 shortage in the state. Our members feel it acutely.

12 I am grateful for the opportunity to tell
13 you about the way that workers are treated in the
14 residential housing market in California, and urge you
15 to not forget about those who will actually build this
16 housing, as you debate the property tax abatement policy
17 approval proposal and all housing policy.

18 Thank you.

19 MS. COHEN: Thank you very much. I
20 appreciate that.

21 One of the things became very apparent in
22 the first two work -- well, certainly in the first work
23 session was that we needed to have that labor of voice,
24 that labor perspective. So I'm really glad you're able
25 to make this a priority to be here.

1 And I know you don't represent everybody.
2 But you do represent a very important chunk of the labor
3 community.
4 And let me see if my colleague, I think -- I
5 knew he had a question.
6 Mr. Vazquez.
7 MR. VAZQUEZ: Just a quick one.
8 You know, I was raised in a labor household.
9 So I know how important it is to make sure this happens.
10 And when I was the mayor in Santa Monica, we always had
11 project labor agreements. Which I think are real key in
12 what you're addressing here.
13 And at least, as we move forward, I'm
14 -- I'll constantly bring that up.
15 MR. SMITH: Thank you. I appreciate that.
16 MS. COHEN: Thank you.
17 Do you have any other advice on -- you watch
18 the tapes. You watch the film. You've heard -- you've
19 heard from -- maybe you're a -- an affiliate in the
20 labor movement with -- from the teachers, the educators
21 in particular, some of their concerns.
22 You know, we also -- you might have heard a
23 discussion talking about CEQA. You brought it up a
24 little bit, and a push for -- for more reform. Any
25 other -- anything else that you can give us that we

1 should take under consideration as we continue to
2 explore this topic?

3 MR. SMITH: Well, I think you're on the
4 right track here with the 30,000 foot level idea of
5 providing funding for housing.

6 You know, I mentioned RDAs. Those went
7 away. That was a big hit. And talking to some housing
8 developers that -- that I'm -- might sound like I'm
9 angry at today.

10 We did spend time talking to each other, not
11 past each other. And I learned about them. And I
12 learned some of the hurdles they face in creating
13 affordable housing. And I believe they're real. I
14 think the state auditor also came out with a report a
15 couple years ago about some ongoing issues with the
16 system.

17 I think, though, this idea that there be
18 some specific type of state funding just for housing,
19 like the teachers have with Prop 98, and the schools
20 have the Prop 98 dedicated just to it, is something I
21 think we would all agree on that needs to happen.

22 Because the state should have a role here.
23 And part of that role, especially in times of very flush
24 budgets, as we're in right now, which may not last
25 forever, setting aside specific money that is there

1 every year for housing is something that we -- we would
2 be very interested in looking at and seeing if we could
3 support along the way.

4 Of course, as long as it comes with robust
5 standards for workers who are going to build the
6 housing.

7 MS. COHEN: Okay. So I assume you're going
8 to be our partner as we continue to unfold and walk down
9 this pathway.

10 MR. SMITH: Of course.

11 MS. COHEN: We are just about out of time.
12 We have our next speaker coming.

13 Mr. Schaefer, did you have something you
14 want to say?

15 MR. SCHAEFER: Yes.

16 I was just going to say I'm very impressed
17 to hear that -- is it three-quarters of the apprentice
18 are people of color.

19 MR. SMITH: Yes. According to DAS standards
20 statistics, the Division of Apprenticeship Standards
21 tracks this.

22 MR. SCHAEFER: Yeah. Because construction
23 has always been pretty good pay. And this sounds to me
24 like we're bringing -- upgrading economically to our
25 more difficult neighborhoods. And I'm so pleased to

1 hear that.

2 MR. SMITH: We are. We are. Thank you for
3 noting that.

4 MS. COHEN: All right. Thank you very much.

5 MR. GAINES: Question, if I could.

6 MS. COHEN: Oh, yes. Of course.

7 MR. GAINES: Yeah.

8 Just in terms of CEQA reform. Because I
9 keep harping on it. And I think it is an issue, and it
10 needs to be addressed in terms of cost of construction
11 in California.

12 But you had mentioned Senate Bill 1118,
13 which I'm not familiar with. So could you just go
14 through a couple of the highlights in terms of what's
15 happening there?

16 MR. SMITH: Yeah.

17 Senator Borgeas, I think -- Senator Borgeas
18 was the author of that bill.

19 MR. GAINES: Yeah. Okay.

20 MR. SMITH: I think he shares some of your
21 concerns about the CEQA issues in this state.

22 That was a bill that he -- he introduced to
23 fix a problem he thought would exist with the CEQA
24 process.

25 MR. GAINES: Yes.

1 MR. SMITH: The Judiciary Committee made a
2 very good analysis about that bill, and noted in there
3 about whether there was a need for the bill given the
4 low rates of CEQA lawsuits. I think -- I can't think of
5 the right word. CEQA proceedings that actually occur in
6 the state, you know, between one-and-three percent.

7 But it was a bill to -- it was getting at
8 some of the issues you've raised here today.

9 MR. GAINES: I see. Okay.

10 MR. SMITH: I just wanted to -- I thought it
11 was important to highlight, kind of, the analysis from
12 the, kind of, third parties.

13 MR. GAINES: Right. Yeah. I'll take a look
14 at it.

15 MR. SMITH: Yeah. I would encourage you to.
16 Because they have the links to the studies in there.

17 MR. GAINES: Okay.

18 MR. SMITH: That talk about where they got
19 that data.

20 MR. GAINES: Okay. Thank you. Appreciate
21 it.

22 MR. SMITH: Yeah.

23 It's nice to see you again, Senator.

24 MR. GAINES: Good to see you. Yeah.

25 MS. COHEN: Well, thank you very much for

1 your time.

2 MR. SMITH: Thank you, Madam Chair.

3 MS. COHEN: Keep your eyes and your ears
4 watching this Board. We are going to be making some
5 moves.

6 MR. SMITH: We definitely will. Thank you
7 for including us. We appreciate that.

8 MS. COHEN: Of course. And give my best to
9 Mr. Meredith.

10 MR. SMITH: I definitely will. He
11 apologizes again.

12 MS. COHEN: All right. Ms. Cichetti, what
13 do we have next?

14 MS. CICHETTI: Well, let's -- we could go to
15 the AT&T moderator to finish up this issue, and then go
16 to the Mayor.

17 MS. COHEN: Okay.

18 MS. CICHETTI: Or we could go the other way
19 around.

20 MS. COHEN: Let's go to the Mayor first.
21 Is the Mayor on?

22 MS. CICHETTI: Yes, he is.

23 MS. COHEN: Okay. We're going to hear from
24 Mayor Garcetti, The Honorable Mayor, Eric Garcetti, from
25 the city of Los Angeles.

1 Hello, Mr. Mayor. Is that a picture, or is
2 that really you?

3 MR. GARCETTI: Hello. How are you doing?

4 MS. COHEN: Oh, okay.

5 MR. GARCETTI: It's really me. Great to be
6 with you. Thank you so much.

7 MS. COHEN: All right. Fantastic. It's
8 good to see you.

9 MR. GARCETTI: You as well. Thank you.

10 I -- I appreciate really your focus so much
11 on, what I always say is the number one, two and three
12 issue in California, housing, housing and housing.

13 Almost everything in that California gene
14 flows through our ability to build, maintain, preserve
15 and make accessible housing throughout California.

16 The -- the Governor has often given me
17 credit for something I once shared with him that I
18 noticed. You know, we have the American Dream and the
19 California Dream. It's not that people don't dream in
20 other states, but that phrase doesn't exist as the
21 Kansas Dream or the Main Dream or the Florida Dream.

22 We have something very unique in California
23 that's been predicated on our incredible jobs, our
24 public education system, our great weather, and, of
25 course, accessible and abundant and affordable housing.

1 Which, unfortunately, if you look at that fourth thing,
2 while we still have great weather and great people and
3 amazing jobs that continue to grow here, really, our
4 lack of being able to preserve and expand affordability
5 for housing is the greatest threat I think to this
6 state.

7 You don't have to be homeless to see it.
8 But you can feel it on our streets in homelessness, all
9 the way up to a middle class that really questions
10 whether it can stay. So thank you for your focus on
11 this.

12 Here in Southern California we had a very
13 historic RHNA, Regional Housing Needs Assessment, that
14 was very controversial to go through. But we finally
15 had a majority of all the 100-plus cities in our
16 5-county region, 88 cities of LA County that showed a
17 need for about 457,000 new units to be built of housing
18 in just 80 years. 185,000 of those have to be for low
19 and very-low income. Another 75,000 or so for
20 moderate-income residents.

21 And so while we're doing everything to
22 deploy all sorts of tools from our zoning, our
23 transit-oriented development, for instance, has been
24 abundantly successful, producing about half of the
25 housing we now build, and encouraging affordable housing

1 without a subsidy.

2 Or whether it's looking at our work with
3 accessory dwelling units, the artist formerly known as
4 granny flats, which is now a quarter of our new
5 construction. We're seeing people really answer this
6 call.

7 So you put this in context, LA was building
8 about a third the amount of overall housing nine years
9 ago when I took over as mayor as we are every year now.

10 But to my successor, who will be elected in
11 just about 60 days or so, I say to her or to him, we're
12 gonna have to double that again in order to meet those
13 goals.

14 So we are being ambitious on the policy
15 front. Our voters passed the largest homeless housing
16 measure in the nation's history, which is building about
17 and leveraging 12,000 units of permanent supportive
18 housing two years earlier and cheaper than we promised,
19 and -- and a thousand more units than we had hoped. But
20 it's still not enough.

21 And so, you know, the property tax exemption
22 that you're focused on is such an important tool in
23 incentivizing affordable housing.

24 It reduces for us the monthly costs of
25 operating each affordable unit by \$500. About

1 40 percent of total operated costs.

2 I just came from an opening yesterday in
3 South Los Angeles. Talked to two new residents who had
4 been collectively on the streets for the last 40 years
5 between the two of them, two decades each. And we see
6 the impact of how homelessness has now ended for them.
7 How opportunity has expanded.

8 One of the tenants, he has an Instagram
9 account. He's a photographer. He's 77 years old. He's
10 been homeless for 20 years. And I'm already following
11 him.

12 He's talented. He's dealing with his
13 bipolarity with case manager. But we need to do more.
14 And I think there's a few things I can suggest to you
15 that would be helpful.

16 First of all, we support the expansion of
17 the exemption to cover workforce housing with residents
18 earning up to 120 percent of median income. This really
19 will incentivize more production at that missing middle,
20 and help us get to our RHNA goals.

21 But, in addition, we know on the side, I
22 think the Board of Equalization can be very helpful in
23 the process, not just the actual granting of the
24 exemption and getting the Organizational Clearance
25 Certificates and Supplemental Clearance Certificates to

1 get welfare exemptions.

2 As we know, prior to 2007 this was
3 centralized to BOE. But now pushing this down to the
4 county assessor's office in each county, most of whom do
5 this very unevenly. Talking to developers who work
6 across California, it's very uneven.

7 And maybe the BOE could be helpful by
8 requiring all the counties follow BOE's recommended
9 process. Even working with the Legislature to put a
10 time limit on how long a county can take to do that, and
11 not have the authority to request more information than
12 required by BOE, unless specifically approved by BOE.

13 A key change I also recommend is to allow
14 affordable housing projects to obtain exemptions as soon
15 as the affordable covenant is recorded on the site.

16 We just recently worked with an affordable
17 housing developer who has zero subsidy from any
18 government source. When we give them the permits,
19 they're able to build and to open up their doors in
20 13 months.

21 They have enough money to be able to create
22 900 permit-supportive housing units this year, sell
23 those off quickly, and get that \$100 million back into
24 circulation to -- to another one.

25 But they came to us saying, Look, the city

1 of LA, which is faster than most places, adds another
2 six months to that. So that makes 20 months.

3 And when we look at things like some of the,
4 you know, exemptions, waiting a few months might seem
5 like fine for us, but you pile these on, and then people
6 say, "Why does it take five years for an affordable
7 housing thing to get built?"

8 Well, cities are guilty, BOE is guilty, or
9 county assessor's office and others.

10 But I think instead of waiting until
11 project's completed, and then placed in service, and
12 then requesting a refund, let's do that at the recording
13 of the affordable covenant on a land site.

14 I think it'd also be helpful to allow
15 property tax exemptions for all uses on a project if --
16 if all are nonprofit uses, not necessarily nonprofit
17 owners. They would be eligible for an exemption even
18 when affordable housing development, a for-profit entity
19 potentially, owns the site and leases the space to the
20 other nonprofit users.

21 Let me give you an example of that. Here in
22 Los Angeles, we had an affordable housing project on a
23 church parking lot. It included, among other uses,
24 49 housing units, and parking for the church, a child
25 care center that was operated by the YMCA.

1 And all these uses, we know, make sense
2 together. If you're a family, you need child care, you
3 need parking, you need to be able to have housing.

4 But each was operated by entities that could
5 secure an exemption if they owned the site on their own.
6 But in order to secure the exemption for each use, we
7 had to have this complicated air-rights subdivision, so
8 that each nonprofit owned its own project, rather than
9 just the "Y" and the church leasing from the affordable
10 housing project.

11 So if we can figure out a way to just allow
12 if they're all nonprofit uses, to have a single
13 exemption for everybody on that site, that would be
14 extremely helpful too.

15 And, lastly, the property tax exemption
16 requires that the managing general partner of all tax
17 credit partnerships be a non-profit that materially
18 participates -- that's the quote -- materially
19 participates in the development and operations of the
20 project in order to be eligible for the exemption.

21 Although this has supported the role of
22 mission-based non-profits, it's also -- they bring a
23 commitment to the operating of that affordable housing
24 well over the long term.

25 It's also opened the door to non-profits who

1 operate primarily to technically fill this role of the
2 managing general partner, but who don't add capacity or
3 resources to the partnership.

4 So the regulations require that the
5 non-profits be true partners, but this is difficult to
6 enforce well. So I think it's time to -- to review the
7 efficacy of this requirement. Maybe find a better rule
8 that effectively ensures the public benefits of having
9 non-profits involved in an easier way for everybody.

10 So that's straight to the point. I hope
11 that's helpful.

12 Thank you, Mr. Vazquez, for the invitation.

13 I know that you had our amazing General
14 Manager of the Housing Department with you, Ann Sewill.
15 And she is an extraordinary resource. Not just running
16 a great department, but from her work at the California
17 Community Foundation before.

18 So please reach out to us. Happy to answer
19 any questions if I -- if I can.

20 Azeen from my team is here too. He might
21 know things even better than me if it gets too
22 technical.

23 But I hope that's helpful. And thank you
24 for being a part of this.

25 A lot of people have said, "Well, everything

1 we're doing doesn't work." I think for the first time
2 in my life I finally see realistic goals, a destination
3 we can get around, a highway that's built, and a car
4 that's finally constructed.

5 We're starting to put gas -- or maybe in
6 this day and age, we're starting to charge that car.
7 But we don't want to take it apart.

8 MS. COHEN: Yeah.

9 MR. GARCETTI: A lot of people who throw up
10 their hands and say -- so if you're saying we don't fund
11 these things, if we don't streamline these things, if we
12 don't densify, if we don't find somehow, we're going to
13 build a better car in three or four years from now and
14 that's going to solve our housing crisis.

15 We know this requires us all to be in that
16 car together to make sure it's running smoothly, has the
17 energy it needs to move forward. And I appreciate you
18 being clear mechanics in that process. And it's an
19 honor to serve alongside you.

20 Thank you.

21 MS. COHEN: Thank you very much. I do have
22 one question, and then I'm going to pivot to -- to
23 Mr. Vazquez.

24 And -- and one of the things that we've
25 heard a lot of the discussion around this -- this

1 morning and now into the afternoon was issuing general
2 obligation bonds or revenue bonds by state or local
3 governments to pay for the backfill.

4 And I wanted to see if you or maybe Azine
5 had any thoughts or -- thoughts that you could share
6 with us.

7 You spent a number of years on a state -- on
8 the local level, running a very large city, lots of
9 property tax revenue coming in to the county by assessor
10 Jeff Prang. Great guy.

11 But one of -- as we walk down this line
12 of -- or considering tax abatement as a tool to help
13 build affordable housing, one thing that we're starting
14 to hear now is, particularly from our allies in the
15 education department, is they're very concerned about
16 not having enough money for public education.

17 And so you -- the conversation has been
18 really focused around backfill. And wanted to just get
19 maybe your thoughts or feelings on -- on issuing general
20 obligation bonds, or revenue bonds by -- by local
21 governments to pay for the backfill.

22 MR. GARCETTI: You know, I don't know that
23 we would do that in Los Angeles. I mean, just because
24 of our credit ratings and other considerations where
25 that would be somewhat risky, quite frankly, for future

1 administrations and obligations in the future.

2 Azeen can -- can chime in on this too. But
3 I think the greater threat to our public education,
4 quite frankly, is people leaving because it's
5 unaffordable to stay. That's really when you're going
6 to see a depression of revenues.

7 And also, as we're seeing in Los Angeles
8 now, not enough students for our schools. So the fixed
9 costs of our schools remain, but families can't afford
10 to stay in places like Los Angeles.

11 So we're chasing two different things. I
12 would say any emphasis where we're not -- where we don't
13 envision that you're losing the tax revenues because of
14 this, because of the exemptions. But that you're
15 actually ensuring that we will continue to have
16 students, that the local school districts will get their
17 per-child reimbursements for their attendance every
18 single day, instead of having now schools that are 40,
19 50, 60 percent filled, and have to be closed down, and
20 employees have to be laid off. I would say that that is
21 a bigger threat.

22 But, Azeen, I don't know if you have any
23 other thoughts on -- on -- I haven't heard anything.
24 And I -- I would think that it would be something we
25 would be very hesitant to do.

1 MS. COHEN: Yeah.

2 MR. GARCETTI: At least at the city level.

3 MS. COHEN: So we've heard --

4 MR. KHAZMALEK: Very well said.

5 MS. COHEN: We've heard the same from other

6 fellow mayors in Riverside, Fresno, as well as

7 Santa Monica. So I just wanted to check in to see if

8 you had any differing opinion.

9 Mr. Vazquez.

10 MR. VAZQUEZ: First of all, Mayor, thanks

11 for -- for finding the time to join us. I know we were

12 going back and forth the last couple days. Really

13 appreciate it.

14 But in your experience, and I know you're

15 now finishing up your term here as the Mayor. And I

16 know you've been real creative, because I've gone to a

17 couple of the groundbreakings that you've done in the

18 city of LA. And there's one coming up this Friday

19 again.

20 And what do you -- from your experiences,

21 could you share with us what we could do maybe better --

22 a better job at, especially, I'm thinking on the tax

23 credit side, the abatement side, and even possibly, you

24 know, find out a way to maybe streamline the permitting

25 process a little bit at the state level. Because I

1 think we're -- we're part of the problem.

2 MR. GARCETTI: There's no question.

3 And this is probably beyond the scope of
4 just the Board of Equalization. But it's -- it is the
5 most important question.

6 And I should have said, by the way, it's
7 always a joy to join with you and all the Members. So
8 thank you for the invitation. I'm glad it worked out.

9 But, you know, I want to give you a very
10 blunt comparison. We're coming in, as I mentioned,
11 about 15,000 -- I didn't say the exact number -- but
12 15,000 less per unit in city subsidy for the projects
13 that are -- we just went to a ribbon cutting yesterday.
14 As you mentioned, there's one on Friday. I used to go
15 to one a quarter, by the way. We're going to one or two
16 a week. So we're really cooking with oil now.

17 But we compared what it costs, even with us
18 coming in at lower level, for the city subsidy. Of
19 course there's the state tax credits, sometimes state
20 grants. And there is often project-based vouchers from
21 our housing authorities. The sandwich that we all know
22 that it takes for subsidized affordable housing.

23 In the cheapest most efficient places, those
24 are coming in, in a city like LA, north of 450,
25 \$500,000.

1 Now, it's unfair to always say that's the
2 price of a unit. Because these buildings often have
3 child care. They have facilities for maybe mental
4 health care and other things in there. And that's
5 divided into the cost of each unit of housing. So a
6 normal housing project doesn't have that. So the per
7 unit cost is a little lower. But the overall cost of
8 the building, divided by units, results in that.

9 We recently went to a groundbreaking for a
10 privately-financed permit-supportive housing unit that
11 will come in about \$200,000 total. About half the price
12 or less than half the price.

13 I've been digging deep into this saying how
14 is that even possible? It's going to have services, by
15 the way. So it's not just the housing without the
16 services.

17 Like a lot of the things we do here, the
18 land is donated. This was on a church parking lot.
19 When I talked to the folks, they raised \$100 million in
20 private capital. They are able to then, you know, work
21 with a developer who's only making about five percent.

22 Because they don't have to wait for the
23 two-to-three year process of getting the state tax
24 credits, and the loan, and this, and that, and the local
25 money, and the project vouchers. They have the money in

1 place. They have the bank already waiting. They spend,
2 they said, about 40,000 in legal fees versus a million
3 dollars on average.

4 With other folks, just for the legal fees,
5 nobody's building the system, but that's what we require
6 developers to have in order to navigate the legal
7 requirements that come from the state and sometimes the
8 federal government.

9 I asked, was it -- was it labor? Is it
10 because it doesn't trigger a prevailing wage?

11 He said, "No. Labor is a very small piece
12 of it. We still pay basically the same as prevailing
13 rates."

14 They don't have to, but they pay about the
15 same. So it's not that our tradesmen and women are
16 getting less money.

17 And the speed with which they can do this,
18 like I said, as soon as they get their permit, means
19 it's a 13-month build-out before people are moving.

20 So I would just say, if we're going to get
21 serious about this, we have way too many funding sources
22 into affordable housing.

23 We're very proud that Los Angeles will build
24 about 2,400 units of permanent supportive housing this
25 year. That's a new record. We're doing about 300 a

1 year when I started. So it's almost a tenfold increase.

2 But that company that I was mentioning, it's
3 actually a, you know, a revolving fund, will build 900
4 units without a single dollar from us.

5 So it's, you know, maybe more than a third
6 more to the overall LA city numbers, at half the price.

7 So I think there's some real hard thinking
8 we have to do. Some sharpening the pencils.

9 We have accepted for two or three decades
10 that affordable housing is difficult. We need four or
11 five sources of funding. That takes time. It's
12 complicated.

13 Even if we were to stay with four or five
14 sources of funding, why do we require different dates
15 for all of them?

16 We should require local governments align
17 their local money with the state programs, and then we
18 should require the state ones to do it together.

19 We should have the -- the housing
20 authorities or any county money aligned with it. And we
21 should say a couple times a year, this date in spring,
22 this date in fall is a day when projects go to all of
23 those sources simultaneously. So you get the answers
24 quickly. We require them to turn around the same amount
25 of time.

1 Literally, we are our own worst enemy by
2 creating the bureaucracy of the complicated way that we
3 heroically have tried to piece together funding where it
4 didn't exist.

5 But I think that private sector example is
6 showing us how it can be done very quickly, sustainably,
7 and for half the price.

8 MR. VAZQUEZ: No, thank you.

9 And, you know, along those lines, I know in
10 the city you've done a great job. But on the -- if you
11 looked at the school districts, because I think in
12 LAUSD, as big as it is, I think there's a lot of school
13 properties that are underutilized, and some that are
14 vacant that, like you've done in terms of repurposing
15 these old buildings and now turn them into housing, we
16 maybe need to look at some of the schools that maybe
17 need to be repurposed for affordable housing.

18 I agree 100 percent. And especially for
19 that -- that missing middle. We did that with a school
20 district and a couple sites. Teachers were paid too
21 high to live -- to move in there. Some of the support
22 staff in the school district, because we wanted to allow
23 people who worked in those schools to be able to be
24 right across the street from the school they worked in,
25 they were able to afford it.

1 But we have to figure out a way -- some of
2 it's a federal requirement. But we know that a -- a
3 teacher's income is not a middle class or luxury income
4 in cities like San Francisco or Los Angeles. We should
5 figure out ways for those rules to extend what those
6 income requirements are, so they really can have
7 affordable housing for folks like our teachers,
8 hospitals, etc.

9 But there's many property owners that are
10 answering the call, Mr. Vazquez. Including our
11 churches, our faith community, that are finally taking
12 those parking lots and other places that have been
13 vacant for too long and saying, "We want to be a part of
14 this solution."

15 You retain all your parking for your Sunday
16 services, but you're able to, on the other six days a
17 week, have affordable housing above that.

18 MR. VAZQUEZ: Thank you.

19 MS. COHEN: Thank you very much.

20 Well, due to time, that limits our -- our
21 time on this -- on this topic.

22 Oh, we do have one last and short and
23 succinct question, right, Senator Gaines?

24 MR. GAINES: Yes. I'll keep it really
25 short.

1 MS. COHEN: All right.

2 MR. GAINES: Number one, I just want to
3 thank you for your service.

4 MR. GARCETTI: Thank you.

5 MR. GAINES: I appreciate that, as the Mayor
6 of one of the largest cities in the nation.

7 But I did want you to know that we are
8 working on speeding up the process for the welfare
9 exemption. It's something that we're working on as a
10 Board over the last several months. We're trying to
11 figure out how do we refine that and make that happen
12 more quickly.

13 MR. GARCETTI: Super.

14 MR. GAINES: And then I think you also made
15 a comment about really a one-stop approval for
16 permitting, is that correct, for the regulatory
17 approval?

18 MR. GARCETTI: I was talking more about for
19 the funding, that you would be one stop between the
20 different state funds.

21 MR. GAINES: Okay.

22 MR. GARCETTI: But -- but with permitting as
23 well, which is something we've done. Los Angeles, we --
24 we physically located like five departments in one
25 building. So you can go from one county, to the next,

1 to the next, instead of waiting for months. And that's
2 important.

3 MR. GAINES: Wonderful. Great. Thank you.
4 Appreciate it.

5 MR. GARCETTI: Thank you, Senator.
6 Appreciate it.
7 Thanks, Madam Chair.

8 MS. COHEN: Wait. Wait. Hold on. Hold on.
9 I have a soft heart. We've got one more.
10 Mr. Schaefer.

11 MR. SCHAEFER: Eric --

12 MS. COHEN: Better be a good one, too.

13 MR. SCHAEFER: Mike Shaffer here.
14 You remember, I ran for your district when
15 you got to be Mayor.

16 MR. GARCETTI: I remember. I remember.
17 Good to see you behind there.

18 MR. SCHAEFER: I've always been concerned
19 about air pollution. And I think there's trump progress
20 being made there. Like you couldn't build affordable
21 housing down there, the train station there, because
22 there was a pollution problem.

23 And with the state getting cleaner air and
24 cleaner cars and whatnot, there should be more and more
25 locations open up for portable housing. I assume you

1 agree with me on that.

2 MR. GARCETTI: I do.

3 And we've actually been putting things like
4 our EV car shares around our affordable housing projects
5 in our lowest income communities and communities of
6 color first, so that folks who are transit-dependent and
7 don't even have cars, can swipe out and take cars that
8 are zero emissions.

9 And we're putting the chargers right in
10 front of those developments in the affordable housing
11 projects that we are building.

12 So it's a great way to tie those things
13 together, and literally making the air cleaner and the
14 opportunities more abundant.

15 MR. SCHAEFER: I so admire your leadership
16 in Los Angeles. I read the Times every morning.

17 MR. GARCETTI: Thank you. Don't believe
18 everything you read in the paper. But I appreciate it.

19 MS. COHEN: All right. Thank you,
20 Mr. Mayor. Enjoy the rest of your day. We appreciate
21 it.

22 Ms. Cichetti, let's go to public comment.

23 MS. CICHETTI: Yes.

24 AT&T moderator, please let us know if
25 there's anyone on the line who'd like to make a public

1 comment regarding this matter.

2 AT&T MODERATOR: Thank you.

3 And, ladies and gentlemen, if you wish to
4 comment, please press one, then zero on your telephone
5 keypad.

6 You may withdraw your comment at any time by
7 repeating the one, zero command. If you're using a
8 speakerphone, please pick up the handset before pressing
9 the numbers.

10 Once again, if you wish to make a comment,
11 please press one, then zero at this time.

12 Madam Chair, we have no one queuing up at
13 this time.

14 MS. COHEN: All right. Thank you very much.

15 Ladies and gentlemen, it is 12:52. We need
16 to take a lunch break.

17 We will be reconvening at, let's say, 1:35.
18 And we will begin with our good friend, Mr. Richard
19 Moon.

20 Thank you. We are in recess.

21 (Whereupon the lunch recess was taken.)

22 MS. COHEN: Here we go.

23 Good afternoon, ladies and gentlemen.

24 It's 1:40, and we are reconvening.

25 Ms. Cichetti, could you please call our next

1 item.

2 **ITEM IV**

3

4 MS. CICHETTI: The next item is Item IV on
5 today's Board Work Group agenda, Examining
6 Constitutional Statutory and Regulatory Implementations.

7 It's been a long day.

8 "What's required?"

9 The speakers for this presentation is
10 Mr. Richard Moon, Tax Council, California State Board of
11 Equalization, and the Honorable Leslie Morgan, President
12 of the California Assessors' Association.

13 MS. COHEN: Thank you.

14 Is Ms. Leslie Morgan going to be joining us
15 in person or online?

16 MS. CICHETTI: I believe via Teams. Let's
17 just -- yes, she is.

18 MS. COHEN: Oh, she's loading up.

19 MS. CICHETTI: It looks like she's coming
20 right on.

21 MS. COHEN: Hello, Mr. Moon.

22 MS. CICHETTI: Here she is.

23 MS. COHEN: Hi, everyone.

24 MR. MOON: Good afternoon.

25 MS. COHEN: Good afternoon. Thank you very

1 much for making time to be a part of this conversation.

2 As you heard, you already know, we are
3 discussing examining constitutional, statutory and
4 regulatory implication about what's required. And this
5 is, I think, a really important part of our agenda.

6 Mr. Moon, would you like to begin?

7 MR. MOON: I'd be happy to.

8 MS. COHEN: Thank you.

9 MR. MOON: So good afternoon, Chair Cohen,
10 Members of the Board.

11 I'm Richard Moon with the Legal Department.

12 And during the work group meetings, as
13 you've just stated, there's been a lot of information
14 presented, and a number of ideas shared. And I've been
15 asked to give a general description of what kind of
16 changes, constitutional, statutory or regulatory, that
17 might be necessary to carry out some of these ideas.

18 And, of course, in order to be really
19 specific, and in order to know exactly what would need
20 to be done, we would need to see a specific proposal.

21 But what I'd like to do is to present sort
22 of a general high-level framework that will hopefully
23 help the Board in thinking about what might be required
24 to pursue any proposal that might be presented.

25 And then I will talk about a couple ideas

1 mentioned against that framework to illustrate how it
2 might be helpful.

3 And I do need to make one caveat; that this
4 framework applies only to property tax assessment and
5 exemption-related ideas, the area over which the Board
6 has authority, of course, and in which I have
7 experience.

8 Proposals not involving assessment would be
9 subject to different rules. And these might include
10 ideas involving taxes other than ad valorem property
11 taxes, or property taxes, but at a point after
12 assessment, and then revenue and backfill-type issues.
13 And those types of issues would require analyses likely
14 by other government bodies.

15 So there are two categories, if you will,
16 of -- of how to implement ideas, or how a proposal or an
17 idea might be -- might be implemented.

18 And the first sort of broad category are
19 those that the Board could implement on its own. And
20 that would be because there would be already existing
21 authority for the Board to do that.

22 And in those cases, the Board could do what
23 it's good at, issuing LTAs or other guidance, for
24 example, doing rulemaking, or reviewing our internal
25 processes.

1 And the second sort of broad category are
2 those proposals or ideas that the Board could not
3 implement on its own. And that would be because there's
4 no existing authorization. And if that's the case, then
5 either statutory or constitutional authority would have
6 to be sought.

7 And for real property exemptions, the kind
8 we'd be talking about here, since house -- housing is
9 real property, constitutional authorization is required.
10 Because all real property subject to tax, unless
11 otherwise provided by the Constitution. And if
12 Constitution authorization does exist, then a statutory
13 change would be required.

14 And I'd like to sort of apply this framework
15 against the welfare exemption as an example. And
16 hopefully that that will be helpful.

17 So the Constitution already authorizes the
18 Legislature to exempt property that's both owned by a
19 nonprofit and used for charitable purposes.

20 And based on this authority, the
21 Legislature enacted the welfare exemption for certain
22 types of low-income housing owned by non-profits, and
23 then charge the Board with administration of the
24 Organizational Clearance Certificate and the
25 Supplemental Clearance Certificate, the OCC and SCC.

1 Because authority to administer the OCCs and
2 SCCs already exists, the Board could, and in fact has,
3 as we heard yesterday, on its own, engaged, for example,
4 in a review and streamlining of the approval process.
5 Because no additional authority would be necessary.

6 However, if a proposal is to extend the
7 welfare exemption, again, just as an example to moderate
8 income housing owned by non-profits, this would likely
9 require a statutory change, since currently section 214
10 only allows exemption for low-income housing owned by
11 non-profits.

12 And then if the proposal, again, just as an
13 example, was to allow exemptions for for-profit
14 developers, that would likely require a constitutional
15 change, since currently the Constitution only allows
16 exemption for non-profit owners.

17 So we would, of course, given any specific
18 proposal, use kind of this high-level framework to think
19 about what would be required.

20 But -- but, again, I think it is important
21 to emphasize that depending on the proposal, you know
22 there are potentially a host of things that we would
23 need to look at.

24 But -- but hopefully that sort of high-level
25 overview is helpful to the Board. And I'd be happy to

1 take any questions.

2 MS. COHEN: Thank you. Yes.

3 Yes, Mr. Moon. I do appreciate that.

4 I was wondering -- and if you're -- if you
5 can answer the questions, please do. If you cannot,
6 that's fine.

7 How could property tax abatements be
8 authorized without amending the State Constitution?

9 MR. MOON: Well, again, I think it would
10 depend on the specific proposal. So I had mentioned,
11 for example, if the desire was to extend the exemption
12 to for-profit developers, that would require a
13 constitutional amendment.

14 If it were just to sort of expand the
15 parameters a little bit, again, for example, to allow it
16 for moderate-income housing, then that would require a
17 statutory change.

18 So it -- it would -- I think it would really
19 depend on what the proposal is.

20 MS. COHEN: All right. Thank you.

21 I didn't realize that there was distinction.
22 So that's actually very helpful.

23 And can you let me know what legislation is
24 needed to authorize a bonding option for a backfill?

25 So, for example, like the general obligation

1 bonds that require voter approval, or revenue bonds
2 where the cash flow from rents pay the backfill.

3 MR. MOON: So that -- that's the kind of
4 idea that would be in that category of ideas that aren't
5 related to -- directly to property tax assessment or
6 exemption, I mean. So I wouldn't be able to speak to
7 that.

8 MS. COHEN: All right. I -- thank you.
9 That's a -- thank you very much.

10 Yes, Mr. Vazquez.

11 MR. VAZQUEZ: Thank you, Mr. Moon, for your
12 presentation.

13 I -- I just had a quick -- two quick
14 questions. One of them, Ann Sewill, who spoke to us,
15 the General Manager from the city of Los Angeles on
16 housing, you know, she urged us to find a way to grant
17 exemptions proactively as soon as the affordable housing
18 deed restriction is recorded on the land, rather than
19 waiting until the project is completed, requiring the
20 owner to claim a refund, what is required legally to
21 make this possible.

22 MR. MOON: Yeah. So I think what she had
23 been referring to was the ability to exempt land while
24 it was vacant.

25 And so that's one of those things that --

1 that may fall into a gray area. So I think some would
2 argue that all that would be required is a statutory
3 change. Because there's an existing welfare exemption.

4 And I think there may be some who would
5 argue that it would require a constitutional change,
6 because the argument would be that vacant land is not
7 actually being used for the charitable purpose.

8 And I think if -- if presented with that
9 kind of a proposal, that's something we would have to
10 take a -- a little bit of a deeper dive on.

11 MR. VAZQUEZ: So, potentially, we could have
12 some authority on that, you're thinking?

13 MR. MOON: Yeah. Well, there -- there's
14 authority in the sense to exempt property used for
15 charitable purposes.

16 And the question would be, is vacant land
17 used for charitable purposes?

18 And I think there's good arguments that --
19 that the answer might be yes. But, again, we -- that's
20 something we would look at.

21 MR. VAZQUEZ: And in earlier, you mentioned
22 in your comments, and I may have -- may have missed
23 this, but did you say that it'd be difficult for us to
24 implement the New York 421-a program?

25 MR. MOON: Well, unfortunately, I'm not all

1 that familiar with the 421-a program. From what I
2 understand, it's some type of exemption --

3 MR. VAZQUEZ: It is.

4 MR. MOON: -- for affordable housing.

5 And so, again, we do, here in California,
6 have an exemption for affordable housing. But, you
7 know, there, of course, are limitations and criteria
8 that have to be met.

9 And so I don't know if ours overlaps with
10 theirs, or sort of what the parameters of theirs is.

11 MR. VAZQUEZ: That's what I was wondering.
12 Because obviously there's two different Constitutions.
13 And I just didn't know if it would take a constitutional
14 amendment on our end, or if we are -- or if we have any
15 authority to implement something like that here.

16 MR. MOON: Yeah.

17 So, again, I -- you know, going back to sort
18 of that general framework, what our constitution allows
19 is property exemption for property owned by non-profits
20 used for charitable purposes. And the Legislature has
21 determined that a charitable purpose is low-income
22 housing.

23 So, again, there's a lot more that could be
24 involved there. But that's sort of the general frame.

25 MR. VAZQUEZ: Okay. Thank you.

1 MS. COHEN: Thank you.

2 Yes. Go ahead, Mr. Gaines.

3 MR. GAINES: Yeah.

4 I just would like to expand on that.

5 Because we don't have taxing authority, but we have

6 exemption authority. And so it sounds like what you're

7 saying is that we might have the ability, in the case

8 that Member Vargas is -- yeah. Vazquez. Sorry. Is

9 presenting in terms of -- of the opportunity. If we

10 focus on these school lands, then we might have the

11 authority to grant the exemption.

12 MR. MOON: It's a little bit, I would say,

13 even more nuanced than that. So I think we have the

14 authority to administer an existing exemption. We would

15 not have the authority to create an exemption.

16 MR. GAINES: Yes. Okay.

17 MR. MOON: So if the exemption exists, or if

18 there's an exemption that could potentially be

19 interpreted to apply to a particular scenario, then

20 that's something that we could look at.

21 MR. GAINES: Okay. Wonderful. Thank you.

22 MS. COHEN: Mr. Moon, you've been

23 outstanding and very helpful.

24 We are going to hear from our next speaker.

25 MR. MOON: Thank you.

1 MS. COHEN: Leslie Morgan, are you still
2 with us?

3 Good to see you.

4 MS. MORGAN: Yes, I'm still here.

5 MS. COHEN: Okay. Great. Great.
6 Welcome to the conversation.

7 MS. MORGAN: What an amazing day.

8 MS. COHEN: Yes, it has been.

9 MS. MORGAN: Yeah.

10 So, Chair Cohen and Members of the Board,
11 thank you for having me here.

12 As you stated, I'm Leslie Morgan. I am the
13 Shasta County Assessor-Recorder, and currently the
14 President of both associations, the Assessors'
15 Association and Recorders' Association.

16 When I was approached about seeing if we had
17 assessors who might be able to provide some input
18 regarding the idea of the property tax abatement, at
19 this point, it became a matter of, why don't I sit in,
20 give you some of the viewpoints I discussed with the
21 staff, and see where it's going.

22 Boy, after listening to today, there are so
23 many thoughts in my head, and so many notes I've written
24 down.

25 But I'll kind of start with -- just because

1 part of the perspective here, I feel like I've been
2 getting from the speakers, is -- is who we are, what our
3 area is. And so let me cover that.

4 I'll tell you that 80 years ago the idea of
5 a base year transfer for my Latino grandfather was
6 tearing down the home in -- near the lumber yard where
7 he worked up in Westwood, and moving it down to Anderson
8 when the lumber mills moved. So he got to bring his
9 home down here.

10 And what's happened over time, I'll tell
11 you, in Shasta County, because, obviously, we're a much
12 smaller county than when we heard from the Mayor of
13 Los Angeles, is we have the same issues that we're
14 hearing about from the schools where our own staff
15 and -- and you guys must see it as well. But our
16 assessor staff can't hardly afford homes in the area.

17 And even when you look at other parts of
18 assessment and administration, and you look at the
19 conversations you heard about, like, Prop 19 and the
20 people who want Prop 19 repealed, there are elements to
21 those same conversations that really come into play with
22 what we're talking about now in affordable housing, when
23 you consider that part of what Prop 19 did is made the
24 homes that weren't transferring for those individuals to
25 live in that were also the homes of the parents, to

1 transfer those base years. Thus, kind of creating the
2 world of, are you going to sell that home, place it on
3 the market, and make it available to other families.

4 So there's so many aspects to this. I mean,
5 in our county, our ACE scores are three times the
6 average of the state. And every time I consider the
7 conversation pieces we're talking about with whether
8 it's a downturn in the market, a downturn in the
9 revenue, the addition of more exemptions, whatever the
10 effects are, the -- the largest source of discretionary
11 income to our county is, of course, property taxes.
12 That covers the schools, the -- the largest portion of
13 it obviously, and our law enforcement, our fire.

14 And so everything kind of snowballs.
15 Everything's like circular and snowballs together.

16 And I just -- I figured I'd cover that
17 initially, because I feel like --

18 MS. COHEN: Ms. Morgan, can you just -- just
19 give me a second, please.

20 If -- if you're -- if you're on the call,
21 please mute yourself. We can hear your background.

22 I think they took care of it.

23 MS. CICHETTI: There's someone else on the
24 line. Yeah.

25 MS. COHEN: Sure. Okay.

1 Okay. Ms. Morgan, go ahead.

2 MS. MORGAN: Okay.

3 So I just figured I'd point that out.

4 And then getting back into the conversation

5 that I had with the staff. In my mind, I kind of think

6 about it in terms of almost a part of what I'm hearing

7 relates to, like, the senior citizens postponement type

8 of thing, where is there a way of -- because I do feel

9 it'd be much better to find a way to fund something like

10 this on the front end, rather than backfilling. Because

11 there's just no guarantees with backfilling.

12 And so with senior citizens postponement,

13 there's an agency in place, a funding source in place to

14 ensure that property taxes get paid, and, therefore, the

15 counties are kept whole, the schools are kept whole.

16 And there's also a balance that they do in

17 that to make a determination as to the income and -- and

18 as well as the equity in the -- the home to ensure that

19 the agencies themselves will ultimately get that -- that

20 funding back.

21 So it's -- it's kind of a front-end loan,

22 but they're going to get the money back. Where this may

23 not have that kind of same viewpoint to it.

24 The other thing that always comes to my

25 mind. And -- and I do believe it was somewhat related

1 to earlier in terms of how many different levels of
2 funding sources there are for housing.

3 And now I have my recorder hat on. But I
4 know that when SB 2 passed for the building homes and
5 jobs trust fund, that recorders are collecting that \$75
6 fee on every transaction, is not related to documentary
7 transfer tax, and sending that in.

8 And for Shasta County, you know, last year
9 it was a couple million dollars. And we're just a small
10 piece.

11 We actually had a presentation done on that
12 fund, and we had numbers provided to us for 18, 19 and
13 20. And, for example, in 2020 there was \$491 million
14 collected related to that fund. And I point these
15 things out, because the first response I have is
16 assessors don't really have a role in this, if it's not
17 done through an exemption or exclusion of some sort.

18 This has to do with how you're going to loan
19 money to developers, how you're going to see if you get
20 that money back, what types of grant's in place, what
21 kind of pieces come together with it.

22 Now, mind you, if it's handled like the
23 postponement, we do have a flag we keep on the
24 properties. We do have a notification process. There
25 are liens that have to be filed in order to secure the

1 debt being created by those postponements.

2 And then the tax collector also has a role
3 in it. But if these are really things that are managed
4 through kind of the financing piece of how these
5 properties come to development, then -- then the
6 assessor isn't going to have a role. When we would have
7 a role, as in your conversation about are there going to
8 be exemptions, how those exemptions get applied.

9 And -- and it's very true that the hard
10 thing for the local assessor's office is, like, when he
11 said, you know, it's handled differently throughout the
12 counties is, the uses are not always the same from one
13 county to a next.

14 You know, we each have to look at how the
15 property in our county is being used. And I'll give you
16 a couple examples. You know, we had a church property
17 with an adjacent piece of property that had been being
18 assessed. You know, now that piece of property has some
19 trails on there, and it qualifies as an exempt property.

20 But there's a lot of properties that I think
21 there's also the consideration when you think about how
22 we get the best I guess community, society as a whole
23 benefit from these uses of the properties, there's a --
24 there's a lot of distinction between vacant land being
25 held for however long for development, or -- or with a

1 trail on it that, you know, qualifies now for an
2 exemption.

3 There's -- there's a lot of other kind of
4 overhaul pieces that I think, you know, may also need to
5 be considered. Are there -- because, again, every time
6 you exempt property, you're reducing the -- the revenue
7 to counties, to schools. I have to fight for more of
8 those dollars to get my office funded.

9 And there's a number of counties who are,
10 you know, 18 months behind on their transfers just
11 because of staffing needs.

12 So I don't know that I have answers. I have
13 a lot of thoughts about all the ideas. And so often
14 everything that I hear feels like it has competing --
15 competing pros and cons, I'll say.

16 You know, I didn't agree with Prop 19, but I
17 also think that maybe there were a number of voters who
18 voted for it for a particular set of reasons.

19 I want more affordable housing in my county,
20 and I don't necessarily know how to get us there. I'm
21 appreciative of being involved in this, but I will,
22 again, just say that overall I think that, as assessors,
23 we're going to have to kind of sit back and watch this
24 process to see where these changes might occur, as
25 Richard Moon just pointed out.

1 Because so much of this conversation, I
2 don't know if it's gonna really affect what happens in
3 terms of property taxes, property tax assessments, the
4 qualifying points of exemptions. And, yet, I hope that
5 we find a way to get more affordable housing in our
6 state.

7 So -- thank you.

8 Do you have questions?

9 MS. COHEN: Yes, of course.

10 Okay. Let me see.

11 Mr. Vazquez, he has one.

12 Mr. Gaines.

13 He might. Okay. He reserves that.

14 MR. VAZQUEZ: Thank you, Ms. Morgan, for
15 your presentation and your thoughts.

16 I know you're a little bit overwhelmed with
17 all the expertise that we had so far in this hearing and
18 the ones previous.

19 But one thing that constantly comes up from
20 people, all the way from New York to San Diego, and even
21 up and down the state of California, is trying to come
22 up with a way where we can try to do a one-stop shop and
23 to streamline this process.

24 And I know you have a challenge, because
25 you're representing very small counties. And then you

1 have some huge ones, like we heard from today -- earlier
2 today. And I'm just wondering what your thoughts are on
3 that.

4 MS. MORGAN: Well, I will say that it's not
5 unique to find that as an assessor's office, we hear a
6 lot of complaints about the steps developers have to go
7 through about all the varying places. They're --
8 they're managing their permits when this new fee came
9 up. Usually we're after the fact, right?

10 We're putting that value on it now that it's
11 complete, getting those market values. So we play such
12 a small part in that, because we're not restricting them
13 from doing what they're doing.

14 But it's very common, whether it's our small
15 county or somebody else, to hear that the permitting
16 process, the getting everything in place, going through
17 the studies and -- and implementations. A one-stop
18 methodology would be great, I think, from the
19 development side. But also on the lending side.

20 When the Mayor discussed all the different
21 pieces coming together, and how they have to apply to
22 this agency, this agency, this agency all on different
23 timelines, all with similar, yet, not always the same
24 application.

25 Boy, if you could do that in one format, one

1 agreed-upon format to say we're all going to use this
2 application to see if you qualify for this whole gamut.

3 Like FAFSA, you know. Really our students,
4 they go apply to FAFSA, and then we figure out what they
5 qualify for, and we can get those funding things to
6 them. Why can't we do that with development?

7 Because, I mean, we hear it too. Like I
8 said, we're -- we're kind of after the fact in terms of
9 what we're doing with it. But we hear a lot of the
10 frustrations from the developers when they're trying to
11 get these projects going.

12 MS. COHEN: Yes.

13 MR. VAZQUEZ: And along those lines, if I
14 could add to -- do you, from the county level -- I asked
15 the cities, and I'm wondering from the county level, is
16 there any way, or do you -- do we have a process where
17 we could come up with the inventory of vacant lots in
18 counties throughout the state of California?

19 MS. MORGAN: Well, I know that we have
20 codings for vacant lots. We would know, you know -- I
21 guess you're -- I'm assuming what you're meaning is
22 government-owned in some way.

23 MR. VAZQUEZ: Well, yeah. Whether it's a
24 city, a county, the state, or even the federal that may
25 own properties within their respective counties that,

1 you know, some -- some cases they're land banking it in,
2 and other cases it's just sit and vacant, ready to be
3 developed for -- you know, at one point.

4 For example, a lot of cities, I think, were
5 looking to develop a lot of properties that they had for
6 office space. But now after COVID, you know, I think a
7 lot of people are rethinking that, and now they're
8 repurposing a lot of these office buildings for housing.

9 MS. MORGAN: Right.

10 And from an assessment perspective, we can
11 easily, I guess, query, you know, non-assessed
12 properties that are vacant, like coded vacant lots, you
13 know, the -- statistic-wise, we can give you a lot of
14 information that kind of gives you numbers.

15 MR. VAZQUEZ: That would be helpful.

16 MS. MORGAN: But the specifics behind why
17 they're vacant and what's going on with them aren't
18 always going to be consistent, you know.

19 Why they've been -- why a city has been
20 holding on up to a particular lot may have something to
21 do with the flood zone it's in, or, you know, other
22 kinds of issues around it.

23 So, I mean, getting the data is easy, I'll
24 say. But what goes into why those properties exist as
25 vacant lots, I -- I would hate to imply that they're all

1 available for development.

2 MS. COHEN: I'm sorry. I need to -- there's
3 no follow-up questions, Mr. Vazquez.

4 We have one more from Mr. Gaines, and then
5 we need to get to our next speaker, who's --

6 MR. GAINES: Thank you.

7 So in terms of implementation, if we did
8 move forward with an exemption or a tax credit,
9 something of that nature, you're saying if that was
10 funded upfront, which was one of the suggestions by the
11 LAO, that that would be a lot simpler from a -- from a,
12 I guess, logistically. And also more consistent in
13 terms of funding.

14 MS. MORGAN: Exemptions aren't typically
15 funded upfront. What I was referencing was, like, the
16 property tax postponement of, like, the senior citizens.

17 If a program was developed like that, it
18 would ensure that when we make an assessment, there's a
19 tax bill created. And then the -- the tax dollars
20 associated with that are -- are then filled to the
21 county level, to the schools, all the agencies involved.

22 So we would still do everything exactly the
23 same, but there would be an external mechanism of who's
24 going to pay that bill, essentially.

25 MR. GAINES: Right. Yeah.

1 MS. MORGAN: And how does that work into the
2 development.

3 MR. GAINES: Sure.

4 MS. MORGAN: Where exemptions aren't handled
5 that way.

6 MR. GAINES: Yeah. I'm sorry, I misspoke.
7 Abatement.

8 MS. COHEN: Okay. I'm sorry. I'm gonna
9 have to put a --

10 MR. GAINES: Thank you.

11 MS. COHEN: Thank you so much.

12 MR. GAINES: Appreciate it.

13 MS. COHEN: All right.

14 Ms. Morgan, I hope that you'll continue to
15 be part of this conversation and watch what we're doing
16 here. You're one of our stakeholders. So I'm gonna --
17 I know that we're gonna actively be reaching out to you
18 and the association, and we're just in a fact-finding
19 position right now.

20 MS. MORGAN: Thank you.

21 MS. COHEN: Thanks for making time to join
22 us today.

23 The next speaker, Ms. Cichetti, would you
24 mind?

25 MS. CICHETTI: Let's go to the AT&T

1 moderator on this one item before we go to the next one

2 MS. COHEN: Thank you very much.

3 MS. CICHETTI: Yes.

4 AT&T moderator, can you please let us know
5 if there's anyone on the line who'd like to make a
6 public comment regarding this item.

7 AT&T MODERATOR: And, again, ladies and
8 gentlemen, if you would wish to have a comment, please
9 press one, then zero at this time.

10 You may withdraw your question at any time
11 by repeating the one, zero command.

12 And, Madam Chair, we have no one in queue at
13 this time.

14 MS. COHEN: All right. Thank you. Let's
15 call our next speaker.

16

17 **ITEM V**

18

19 MS. CICHETTI: The next item on the Board's
20 Work Group agenda is The Future of Property Tax
21 Abatements in California: "Where Do We Go From Here?"

22 Speakers, we have a couple of them. We'll
23 call them one at a time.

24 The first one up is Louise Carroll, Partner,
25 Katten Muchin Rosenman, and former New York City Housing

1 Preservation and Development Commissioner.

2 MS. COHEN: Ms. Carroll, thank you very much
3 for making time to be with us this afternoon. It's good
4 to see you.

5 Colleagues, you might recall Ms. Carroll
6 spoke to us briefly before in our -- in a previous
7 meeting.

8 The floor is yours.

9 MS. CARROLL: Thank you.

10 Good afternoon, Chair Cohen and Members of
11 the Board. Thank you for inviting me to speak with you
12 again today about this important topic, and -- and to
13 participate in your policy discussion.

14 Before becoming HPD commissioner, I spent
15 many years administering and using tax exemption and
16 abatement programs, including 421-a, to produce
17 mixed-use residential housing with an affordable
18 component.

19 New York City has a robust subsidized
20 housing pipeline. But subsidized housing production is
21 expensive and time-consuming. On its own, subsidized
22 housing is not sufficient to build out of an affordable
23 housing crisis.

24 A market-rate building may take two, one to
25 two years in pre-development, and another two to three

1 years in construction. While a subsidized building may
2 take eight years plus, at least in New York City,
3 depending on the funding sources and the rules and
4 regulations associated with these funding sources.

5 To build out of an affordable housing crisis
6 requires every builder to do its part. It requires
7 developers of market-rate housing, as well as
8 not-for-profits and MWBEs to build housing for a range
9 of incomes, including low, moderate and middle income.

10 A tax exemption or abatement program is a
11 valuable tool to change the behavior of market-rate
12 developers, so that when they build housing, they build
13 for a range of incomes.

14 Since 1971, until it lapsed in June of this
15 year, New York City had a robust tax exemption program
16 called 421-a that required developers to produce
17 housing, both rental and homeownership, and for many
18 years included a requirement to build housing that is
19 affordable to low and middle-income households.

20 The program changed over many decades to
21 respond to the city's needs. The most recent rental
22 program required projects applying for 35-year benefit,
23 that if they met the eligibility requirements, they
24 would get 100 percent exemption for the construction
25 period, which we deem to be up to three years, and a

1 35-year post-construction tax exemption, which is broken
2 down into 100 percent exemption during the first 25
3 years, and an exemption equal to the percentage of
4 affordable housing that was in that development for the
5 last 10 years.

6 These -- there was also an enhanced 35-year
7 benefit, which was available to rental developments of
8 300 units or more. Which were located in specific
9 geographic areas of the city, where the developers
10 agreed to comply with the minimum average hourly rate
11 requirements for construction workers.

12 If a project was -- if a project qualified
13 for that program, they would get 100 percent exemption
14 for construction up to three years, and a 35-year
15 post-construction benefit of 100 percent tax exemption.

16 There was also -- the homeownership program
17 was a 100 percent exemption for up to three years
18 construction, and a 20-year post-construction tax
19 exemption.

20 That 20-year post-contract --
21 post-construction tax exemption was 100 percent
22 exemption for the first 14 years, and a 25 percent
23 exemption for the next six years.

24 Units had to, in order to be eligible, the
25 homeownership units produced could not have an assessed

1 valuation cap after construction of above 65,000 per
2 dwelling unit.

3 These homeowners would have to sign a
4 primary residence requirement, which would be put in
5 their deeds. And those buildings had to be 35 units or
6 less.

7 In -- on February 3rd, 20 -- of this year,
8 the New York City, New York University's Furman Center
9 put out a report analyzing a decade of 421-a production.
10 And in the decade between 2010 and 2020, this program
11 produced 68 percent of all completed new housing in
12 buildings of four units or more.

13 In that decade, this program produced
14 approximately 117,000 units out of 171,805 completed
15 properties. So we consider -- and this is just a
16 decade. This program has been in action since 1970s.

17 And we consider that that production then
18 comes online without city subsidy, with private
19 financing, has been a real game-changer in -- in having
20 unit production, post-market rate and affordable.

21 So we know that what works in New York City
22 may not work everywhere in -- in other parts of the
23 country. But things to really consider if you're going
24 to go ahead with an abatement program is restricting the
25 use of the tax abatement to privately financed housing.

1 Why? Because you're able to harness the
2 speed and -- the speed of construction and the financial
3 efficiency of private production.

4 It would mean that developers, if they -- if
5 you created an abatement, and they knew upfront what
6 they needed to do to qualify, they'd go to a private
7 lender. They'd get a loan. They'd build the housing,
8 and they get the abatement. And the housing would be
9 online at a faster rate.

10 Limiting the abatement to new construction
11 rental and homeownership housing is another thing to
12 consider. If you're creating new supply, you're
13 increasing the housing supply.

14 Whereas a lot of I -- I assume like New York
15 City, California has a lot of programs for
16 rehabilitation and preservation housing. So using this
17 to increase housing supply in a housing crisis is a
18 thing to consider.

19 Tailoring the percentage of affordability,
20 the size of the abatement, the term of the abatement, so
21 that households can gain financial stability, and
22 developments can have enough income to support the
23 operation and maintenance of properties for its useful
24 life.

25 In addition, consider tailoring the

1 abatement based on the economics of production in
2 different geographies, as an abatement may be too large
3 in one county, and too small in another.

4 Another question to consider is where do you
5 go from here?

6 MS. COHEN: Yes.

7 MS. CARROLL: Should abatements be on the
8 value of improvements on the land, while owners continue
9 to pay taxes on the value of the land before
10 improvements?

11 That way you -- you're not losing tax
12 revenue on vacant land, you're foregoing increased
13 improvements in exchange for affordable housing
14 production and market-rate production.

15 Should there be a revenue backfill, or will
16 the economic activity created by an increase in land
17 sales, transactions, jobs, etc., decrease the need for
18 tax revenue or a backfill?

19 For example, in New York City, our transfer
20 tax and mortgage recording tax in 2020, transfer taxes
21 were collected to the amount of 14 billion, and
22 mortgage-recording taxes collected was about 10 billion.

23 In New York City, our mortgage recording tax
24 is 1.8 percent for mortgages below 500,000, and
25 1.9 percent for mortgages above 500,000.

1 Transfer taxes, one percent if a property
2 value is less than 500,000 and 1.425 if it is above
3 500,000.

4 So that is another consideration as opposed
5 to a backfill, that increasing the mortgage recording
6 taxes and transfer taxes associated with the increased
7 transactions that you might expect to have with such a
8 tax abatement might be a solution as well.

9 Consider location of the affordable housing
10 within developments to avoid creating stigma, avoid
11 clustering affordable units together.

12 One of the issues we've had in New York
13 City, which we've -- we fixed is when you have
14 mixed-income housing, also making sure that there any
15 amenities that are available to the market-rate tenants,
16 are also available to the low and moderate-income
17 tenants.

18 Finally, any program you choose must meet
19 the needs of Californians, as understood by your elected
20 officials. What worked in New York City may not be
21 universally applicable. But the affordable housing
22 crisis is a national one, which comes down to math.

23 Can rents support building construction, as
24 well as operation and maintenance?

25 If it doesn't, a tax abatement is just one

1 way of making the math pencil out.

2 If you have any questions, I'm happy to
3 answer them.

4 MS. COHEN: Thank you.

5 A few -- couple -- a couple questions.

6 What was the -- what was the process or the
7 formula that you used to come up with many of the
8 figures that you rattled off? Like the mortgage -- the
9 mortgage -- the mortgage taxes. The -- how did you
10 determine that?

11 MS. CARROLL: So these numbers come from our
12 Department of Finance and our assessors.

13 MS. COHEN: Okay.

14 MS. CARROLL: I know you have -- you -- you
15 have your assessor on here.

16 And so this was put, this report, about how
17 much recording tax with mortgage recording tax and
18 transfer tax was paid -- was produced, was from a report
19 from the Real Estate Board of New York.

20 MS. COHEN: Okay.

21 MS. CARROLL: And they analyzed the -- the
22 tax data in New York City.

23 MS. COHEN: So my question -- so
24 specifically, like, was there a process involved where
25 you had the members of the Legislature had to take a

1 vote? Or was it just the Department of Finance and the
2 assessors got together, they agreed upon it, and then
3 that was what was universally adopted and accepted?

4 MS. CARROLL: I understand. Thank you for
5 your question.

6 So let me start with the imposition of
7 taxes. The state is really the -- the -- responsible
8 for -- for determining the tax structure.

9 So, for example, 421-a is a state
10 legislation that is formulated in concert with the city.
11 The state itself has its own transfer tax and mortgage
12 recording tax. And then the city was able to
13 promulgate, through rules, its own additional mortgage
14 recording tax and transfer tax.

15 So what I'm quoting is really what the
16 city's rules are, not this -- not the overall mortgage
17 recording tax and transfer tax collected on New York
18 City transactions. Because the state has, in addition
19 to the city, its own legislation.

20 MS. COHEN: Thank you. That's actually
21 helpful, and it answers my question.

22 Let me see if my colleagues have any
23 questions.

24 Mr. Vazquez, please.

25 MR. VAZQUEZ: Yes. Kind of piggybacking on

1 that question.

2 So the transfer tax, and I guess other fees
3 taxes, some you said were city and some were state. Was
4 that enough to backfill the abatement to make the cities
5 whole?

6 MS. CARROLL: So the 421-a program currently
7 cost the city over \$171 million.

8 I -- I would say when we talk about mortgage
9 recording tax and transfer tax, we're talking about all
10 real estate transactions in the city. So there isn't a
11 one-to-one correlation.

12 One of the criticisms of 421-a is how
13 expensive it is to -- to -- to finance affordable
14 housing in that way. I would say that the jobs created,
15 the value and the cost of the units created. We did an
16 analysis in New York City that if the city had to pay
17 for the units, the affordable units. Not the
18 market-rate units, but the affordable units that are
19 created through 421-a.

20 And we -- we assume that it's about 5,000
21 units of fiscal -- affordable units of fiscal year,
22 probably a little bit more, that it would eat up our
23 entire \$1.4 billion in capital that New York City allots
24 to finance affordable housing, as well as all of our tax
25 credit allocation, and any other monies that are

1 allotted for affordable housing.

2 And the reason is if you're creating housing
3 at 60 percent -- affordable to 60 percent AMI, or
4 40 percent AMI, that housing does not cover the cost of
5 maintaining it. It's maintenance and it's operation.

6 And so in order to even construct and then
7 maintain that housing, you need the market-rate rents to
8 help cross-subsidize.

9 And so while the cost of the tax exemption
10 is great, the benefit actually to the city is even
11 greater when considering how much the city would have to
12 pay to produce those same units.

13 I can't say one-to-one in terms of all of
14 the mortgage recording tax exempt, and all of the
15 transfer tax that's collected, exactly how much of it is
16 representative of 421-a only. But if you consider, at
17 the stat that I said before, which is that 68 percent of
18 all completed buildings, residential buildings used
19 421-a, that's -- that constitutes a large portion of
20 those mortgage recording --

21 MS. COHEN: Ms. Carroll, let me -- let me
22 also jump in here. And first, New York's property tax
23 abatement program doesn't have a backfill component.

24 MR. VAZQUEZ: Doesn't.

25 MS. COHEN: It doesn't.

1 MS. CARROLL: That's correct.

2 MS. COHEN: So that's -- I mean, I think
3 that's really what you're asking. How to --

4 MR. VAZQUEZ: That's a piece of it.

5 MS. COHEN: That's a piece of it.

6 MR. VAZQUEZ: I was just actually following
7 up on yours.

8 Let me just ask my one question I was going
9 to ask about 421.

10 MS. COHEN: Yes.

11 MR. VAZQUEZ: And it's more on the, you
12 know, when you mentioned, I think earlier, I don't know
13 if it was today or last time. But the, you know, the
14 421-a program exempts both the low income and middle
15 income housing units from property taxes for the same
16 length of time, and what time is that?

17 MS. CARROLL: Yes.

18 So it -- it -- and the market rate. Because
19 those mixed-income developments may have low and market
20 rate, or middle income and market rate.

21 So there -- there are two periods. There's
22 a 35-year period where you could either get 100 percent
23 exemption for the full 35 years if you agree to pay
24 prevailing wages, basically union labor, or you --
25 there's a 35-year period where there's 100 percent

1 exemption for construction period benefits.

2 And then the -- this 25 years of -- of
3 100 percent exemption. And then the last 10 years of
4 exemption represents the percentage of affordable units
5 in the property. So if you have 25 percent of
6 affordability, your last 10 years would be 25 percent
7 tax exemption, not 100.

8 For the homeownership portion of the
9 program, the exemption was for 20 years. That's 20
10 years, including the three years, in addition to the
11 three years of construction period benefits. So it's in
12 essence 23 years, because you're getting three years of
13 construction period benefits, and 20 years thereafter;
14 14 with 100 percent exemption, and the last -- the last
15 years, I think the last six years you're getting
16 something like 25 percent.

17 MS. COHEN: Thank you.

18 Let me see if my colleagues on my left, do
19 you guys -- do you have any questions down here?

20 No. All right.

21 Ms. Carroll, you are an expert in this area.
22 Thank you for taking time again to impart some of your
23 knowledge. We will be reaching out to you I'm sure
24 again for -- for more questions, and to borrow your
25 expertise.

1 But, with that said, we appreciate you
2 making time and imparting your wisdom on the state of
3 California. Thank you.

4 MS. CARROLL: Thank you so much.

5 MS. COHEN: You're welcome.

6 Ms. Cichetti.

7 MS. CICHETTI: The next speaker on this item
8 is Michael Lane, State Policy Director, San Francisco
9 Area Planning and Urban Research.

10 My understanding is -- yes, there he is.

11 MS. COHEN: Mr. Lane, how are you?

12 MR. LANE: Doing well. Thank you.

13 MS. COHEN: Good. I'm glad to hear that.

14 Welcome. I'm sure you have been listening
15 to the conversation. You're on a panel that is
16 specifically addressing examining constitutional,
17 statutory and regulatory implications. Like to know
18 what's -- what's required as we step into this new
19 territory.

20 The floor is yours. Thank you.

21 MR. LANE: Great. Thank you so much,
22 Madam Chair and Members.

23 Michael Lane with SPUR, a public
24 policy think tank in the San Francisco Bay area.

25 And first just want to express my -- how

1 impressed I am with both you and your staff and the work
2 you've done. You've really surfaced many of the key
3 issues and heard from so many different stakeholders.
4 And it's really kind of a demonstration how difficult it
5 is to work in this space.

6 Also thrilled today that the Governor also
7 signed into law some -- some additional legislation that
8 would help in terms of on the entitlement side and
9 approval of housing, but also need to continue to focus
10 on financing and what it takes to actually bring
11 together those sources to -- to be able to finance and
12 build this housing.

13 Make a few observations, and then want to,
14 you know, cut to the chase and really talk about
15 recommendations for next steps and where we can go from
16 here.

17 MS. COHEN: Yes. Thank you.

18 MR. LANE: So I think the -- the key problem
19 we're trying to solve for is California's high cost of
20 construction. We have the highest construction costs in
21 the world, that's both soft and hard costs, that make it
22 very expensive to develop housing here, and multiple
23 factors, materials, labor, taxes, fees, and I would also
24 point out inclusionary housing requirements.

25 Some of these programs in other states,

1 which to some in -- to some or a greater degree are
2 applicable in California. We'll talk about that. But
3 they actually provide that tax abatement in exchange for
4 affordable housing on site. Whereas in California, we
5 actually require the inclusionary housing, affordable,
6 below market-rate housing to be included in the
7 development without any type of public subsidy or
8 incentive to the developer.

9 Now, in some cases the developer can use the
10 density bonus. But depending on the cost of
11 construction and the financing for a particular
12 development, that may -- that may not be sufficient, and
13 you actually do need additional types of incentives to
14 really make a project feasible and to be able to go
15 forward.

16 Because in some jurisdictions with
17 excessively high inclusionary housing requirements,
18 we're actually seeing that stall out, developments that
19 are in the pipeline.

20 And then, of course, the cost of land in
21 California is -- is a significant factor as well, apart
22 from just the cost of construction.

23 Other states have moved to address these
24 issues. California, for the most part, has not. While
25 Proposition 13, as is known as one percent of assessed

1 value on property values, and the cost of land for
2 construction is very high, can be, you know, \$10 million
3 an acre for -- for residential development in some
4 cases.

5 And you've taken a good look at some of the
6 programs in other states. And oftentimes those are also
7 high cost states that are trying to address the issue of
8 having market-rate development include affordable
9 housing, and how we can create those incentives to make
10 that financially feasible.

11 You've also, I think, indicated, and council
12 has also provided input on the differences within
13 California in terms of Proposition 13, and how are our
14 property taxes actually stay at the local level, and the
15 implications of that of any state actions and -- and --
16 and how we might potentially need a constitutional
17 amendment for some of the approaches that have been
18 suggested, and how the property tax welfare exemption,
19 for example, only applies to 501(c)(3), charitable
20 organizations.

21 And so we have those types of limits in
22 California that aren't applicable in other states. But
23 I think it's also appropriate for us to take a look at
24 all the potential avenues, including what BOE has
25 authority over.

1 And then also where there might be
2 partnerships with the Legislature and the Governor, and
3 other statewide constitutional officers, to try to put
4 together a program that's really customized to -- to
5 address the issues that are unique to California and
6 our -- and our tax structure.

7 So in terms of recommendations and next
8 steps, one thing that I think BOE could do and would be
9 of interest to me is just to clarify and ensure
10 consistency on how we assess the value of the buildings
11 that do have those BMR affordable units in them.

12 And I know, obviously, the rents are
13 different for those units. But, in essence, what we're
14 doing is, you know, units can cost \$800,000, even a
15 million dollars a unit in the higher cost areas of our
16 state to develop those. And -- and the developers ask
17 to maintain those below-market rents for the useful life
18 of the building without any public subsidy or
19 reimbursement.

20 And we just want to make sure that what that
21 methodology is, it's actually capturing the lost income
22 and the revenues for that building, versus the cost of
23 actually providing those affordable units on site. And
24 make sure that's being applied by assessors across the
25 state in a consistent fashion.

1 So we'd love to work with you in that
2 particular space, just to understand that methodology
3 better, and to make sure it's being implemented in the
4 field correctly.

5 We also think it might be appropriate to
6 think of modest state budget allocation next year to
7 create the framework and guidelines for a proposed pilot
8 program that would demonstrate the benefits of the
9 public and tenants, and also allow housing projects that
10 are stuck in the pipeline to move forward and create the
11 housing and the good construction jobs that we will
12 need.

13 An example would be just two years ago,
14 Treasurer Ma received \$2 million from the State General
15 Fund through the action by the Legislature and the
16 Governor to begin to set up the parameters for the
17 California Dream for all homeownership program.

18 And then now this last budget cycle,
19 \$500 million were deposited into -- into that program to
20 create a revolving loan fund.

21 Something similar could be a path for us to
22 consider for -- for this type of tax credit or abatement
23 program that you're looking at. The idea of a revolving
24 loan fund means that the funds are repaid over time.
25 And that's also some of the CalVet's veterans' housing

1 program.

2 In addition to exploring state tax credits
3 or refunds of property tax at the state level, while
4 keeping the local jurisdictions whole, we could also
5 push the state on loan programs and revenue bonds that
6 would allow taxes, fees and inclusionary housing
7 requirements imposed on new development to be financed
8 over time, had more favorable interest rates to address
9 these cost issues.

10 At CalHFA, for example, currently doesn't
11 have a program like this. And so I think there may be a
12 valuable opportunity here to look at a partnership with
13 that agency as well.

14 And I'll stop there, and take your questions
15 and comments.

16 MS. COHEN: Thank you.

17 So the first question I really that -- that
18 I have that comes to my mind is, can you just succinctly
19 tell us where do we go from here?

20 MR. LANE: Yes.

21 So I -- I'd really like to work with you on
22 the -- on the recommendations for next steps as a
23 report.

24 MS. COHEN: Okay.

25 MR. LANE: And then begin to really flesh

1 out, you know, these proposals, based on the feedback
2 we've received from stakeholders, and -- and try to do
3 the best we can to keep local jurisdictions whole, while
4 also doing something meaningful in terms of incentives
5 for -- for development.

6 And, you know, we've got kind of the
7 outlines here. We could actually pull together a policy
8 brief on that with you.

9 MS. COHEN: Thank you.

10 Let me see if my colleagues have any
11 questions for you.

12 Mr. Vazquez.

13 MR. VAZQUEZ: Yeah.

14 My question is kind of in the similar vein.
15 I was just wondering, given your experience, especially
16 with cities and counties, what some of these bond
17 measures for affordable housing efforts, and which
18 you -- what's your thought is on maybe some of these in
19 terms of backfilling, if we went with an abatement
20 prop -- proposal.

21 MR. LANE: Yeah. So I think that the
22 straightforward way would be that the developer would
23 still pay the local property taxes, which mean the
24 schools and cities, counties and special districts would
25 all get their portion of that.

1 And then the developer, then, would apply it
2 to the state for a kind of a refund of the property
3 taxes paid at the local level for X number of years, in
4 exchange for the affordable housing that -- that's
5 offered on site.

6 MR. VAZQUEZ: Gotcha.

7 MR. LANE: There's no constitutional issue
8 there. And then there's not an issue with local
9 jurisdictions not receiving their share of property
10 taxes.

11 Obviously there is a hit to the general
12 fund, but I think a pilot program in that regard could
13 be limited, I think, as -- as previous speakers have
14 said, the developer could demonstrate the need.

15 But for this rebate, the project won't go
16 forward. I think they'd be willing to open their books
17 in some cases, dependent upon the project, in order to
18 get this type of relief.

19 MR. VAZQUEZ: Thank you.

20 MS. COHEN: All right.

21 On my left, any questions? No?

22 All right. I'll go back to mine.

23 So we have you for just a few more minutes.

24 I was wondering what kind of safeguards could be
25 included in any -- any backfill to ensure that our

1 schools or local governments don't lose any revenue.

2 And this, I think, is a hot question. We've
3 posed it periodically from other panelists to hear their
4 thoughts.

5 MR. LANE: Yeah. I think that's the benefit
6 of a rebate against any state liability that -- that a
7 developer would have. They would still pay their local
8 property taxes. And so you would keep that whole.

9 And the state would then set aside X amount
10 of dollars, maybe it's a few hundred million dollars,
11 with a fine amount of dollars, then -- and then that
12 would be the developer that would apply for it out of
13 that.

14 And once it's gone, we could then take a
15 look at how effective it was, and how many new units
16 were produced. And then consider, you know, next steps,
17 if there's additional funding that could be made
18 available by the state for this type of a refund or
19 reimbursement.

20 MS. COHEN: Okay. All right. Thank you.

21 Mr. -- Mr. -- Mr. Gaines.

22 I'm done. Mr. Gaines has a question for
23 you.

24 Go ahead.

25 MR. GAINES: Thank you.

1 In terms of a rebate, do you know -- do you
2 have an idea of what that number should be, if we were
3 to offer a rebate for affordable housing?

4 MR. LANE: So you could -- you could put a
5 limit on it. You know, if it's a -- let's say it's a
6 \$100 million building, you know, one percent of assessed
7 value would be that -- that one -- that one percent. So
8 a million dollars. A year against any existing tax
9 liability the developer may have. And then you could
10 also limit the number of years somewhere in the realm
11 of, you know, five to seven to ten years.

12 And then once that abatement or refund is no
13 longer available, then it wouldn't be an additional
14 expense. But in the meantime, you will have gotten
15 shaken loose some of these projects that otherwise
16 wouldn't -- wouldn't have gone forward.

17 And you've -- and I think to the points of
18 other speakers, you're also creating economic activity
19 that otherwise wouldn't have happened, and a new
20 assessed value at a higher -- at a higher amount, than
21 if the project had not gone forward.

22 MR. GAINES: Sure. And -- and would that be
23 a -- would that be a one-time rebate per -- once per
24 project, or would it renew annually on those projects?

25 MR. LANE: Yeah. I agree with the previous

1 speakers. Probably the best way to do that is to set
2 aside the dollars upfront one time. And then -- but
3 over -- with the -- as in terms of calculating the way
4 Department of Finance and others would want to do that.

5 And so maybe if -- if the total was, you
6 know, a million dollars a year over seven years, that
7 seven million would be set aside upfront, similar to,
8 you know, the tax credit program.

9 MR. GAINES: Sure.

10 MR. LANE: And then -- and then you would
11 know how much you were spending over time, and how many
12 products you could fund based on, you know, that -- that
13 general assessed value.

14 MR. GAINES: And do you think that that
15 would provide a net result of more housing built? That
16 program just as described?

17 MR. LANE: It absolutely will. And I think
18 that would be part of the way we craft the program, is
19 to make sure that the developers are demonstrating the
20 need for the -- the subsidy.

21 And -- and, actually, the developers that
22 we've been working with would be willing to do that with
23 this type of a program to demonstrate that. But for
24 this -- this intervention, the development won't occur.

25 MR. GAINES: Okay. And I guess another

1 broader question is, is there a nexus -- do we have a
2 nexus with BOE in terms of the ability to do something
3 like -- I love this idea. So I'm just trying to figure
4 out if it's not -- I guess it might fall under
5 definition of an abatement. If it's a rebate, I -- I'm
6 just --

7 MS. COHEN: You know, Mr. -- Mr. Gaines, I
8 can't give you a definitive answer. I mean, it's kind
9 of like what we're doing. We're exploring and probing.

10 MR. GAINES: Yeah.

11 MS. COHEN: And seeing where things are.

12 As you heard, Mr. -- yeah -- Mr. Lane is
13 going to -- wants to be a part -- a part of our process,
14 our wrap-up process, and drafting, coming up with
15 recommendations --

16 MR. GAINES: Oh, that's great.

17 MS. COHEN: -- and possible solutions.

18 So --

19 MR. GAINES: Wonderful.

20 MS. COHEN: I think we'll look -- explore it
21 there at the next step.

22 MR. GAINES: Thank you.

23 MS. COHEN: But, yeah, I don't know the
24 answer to that.

25 MR. GAINES: Thank you, Mr. Lane.

1 MR. LANE: If I could just quickly say, it
2 would require, I think, likely a partnership with the
3 Legislature and Governor at least to set aside those
4 potential dollars for, first, a pilot program like this.

5 But I think the fact that you've taken this
6 leadership, and because you aren't involved with these
7 other exemptions that are similar to this, it's -- it's
8 really important to have you, you know, at the table as
9 a key partner. And it's something that we certainly
10 appreciate, your leadership with that.

11 And also just that one other piece, I just
12 wanted to highlight, again, how we assess properties
13 with the inclusionary component. I'd love to learn more
14 and work with your -- with your staff on that as well.

15 MS. COHEN: All right. Thank you very much.

16 Mr. Lane, we're out of time. But thank you
17 for your presentation.

18 Do you have any other parting words that you
19 want us to know or share?

20 MR. LANE: We're here for you.

21 MS. COHEN: I like -- thank you. That's
22 good. I like that. All right. We're here for each
23 other. We appreciate you for making some time.

24 MR. LANE: Thank you.

25 MS. COHEN: Next, we're going to hear from

1 uh Dr. Jason Ward.

2 Dr. Ward, good to see you. How are you?

3 MR. WARD: Good, Chair Cohen.

4 Thanks for having me back.

5 MS. COHEN: Yep. Thanks for coming back.

6 All right. So, folks, this is Dr. Jason

7 Ward. He's the Associate Director from RAND Center on

8 Housing and Homelessness.

9 He came, and he presented -- was it last

10 month you presented or the month before?

11 MR. WARD: I believe it was August.

12 MS. COHEN: August. Okay. I know it seems

13 a long time ago.

14 So welcome. And the floor is yours.

15 MR. WARD: Thanks very much. It's an honor

16 to be here again before you all.

17 To briefly summarize the points I made in my

18 last comments, which are somewhat similar to the

19 comments I'm going to offer today.

20 In my last appearance before the work group,

21 I suggested that the characteristics of an effective

22 abatement program might include the following broad

23 characteristics:

24 One, that the program target dense in-fill

25 multi-family housing production, as this represents

1 perhaps the best way to provide missing-middle type of
2 housing under present conditions in California. Which
3 include high land and production costs and a challenging
4 regulatory environment.

5 Also that the abatements be temporary and
6 phase out gradually, rather than ending abruptly.

7 And, then, finally, that any programs be as
8 simple as possible in order to avoid contributing to the
9 considerable load of regulatory barriers that developers
10 have to already navigate to produce housing in the
11 state.

12 MS. COHEN: Okay.

13 MR. WARD: But this convening, I was asked
14 to focus my comments on the issues of -- specific issue
15 of addressing the risk to tax-funded entities of forgone
16 property taxes through the use of funding mechanisms
17 that could effectively backfill any such losses, which
18 has obviously been a recurring thing with earlier
19 speakers.

20 As an important caveat, I'm not an expert in
21 finance. So my comments are going to be at a pretty
22 high level, and primarily going to attempt to highlight
23 a few potentially important issues around incentives
24 related to differing funding approaches as I understand
25 them, and broad evidence on the feasibility of such

1 mechanisms.

2 So the way abatements are financed should,
3 in general, not be essential to update by developers
4 who, you know, will simply take an abatement they can
5 get. But different financing approaches may create
6 various incentives among voters and leaders in effective
7 jurisdictions regarding whether or not to support an
8 abatement program.

9 The choice of the financing mechanism may
10 also affect the ability to attract investors.

11 Local bond issues that incur a general
12 revenue obligation may be problematic, since they
13 require voter approval. And existing homeowners may not
14 want to bear -- to risk bearing an additional tax burden
15 to create new homes in their jurisdiction.

16 Beyond that, in areas with more general
17 sentiment against increasing housing production,
18 garnering local support for any effort to do so may be
19 difficult, regardless of the incidents of the funding.

20 A state-level bond issue could broaden
21 support, and a state-level general obligation bond
22 offering would spread at any cost risk to a point where
23 it would likely be relatively trivial to any given
24 jurisdiction or voter.

25 But a broad-based bond issue may have

1 multiple other problems, including, you know, the need
2 to go before voters, and also issues around perceived
3 equity, which was alluded to by Ms. Carroll, I believe.

4 So, for example, if some localities used
5 abatements a lot, and others not at all, but all are
6 equally on the hook for any kind of practical
7 application. For these reasons, revenue bonds may be
8 more attractive, since these would be directly repaid
9 from positive differences in tax revenues over time.
10 And also would not require voter approval for this
11 reason.

12 However, the risk represented by the lack of
13 a generalized repayment obligation at the state or local
14 level would require some sort of yield premium. Though
15 such a premium could, in turn, help to attract
16 investment to these vehicles.

17 I'm not aware of any direct analogs to such
18 a program. But this approach is, in some respects, I
19 believe, similar to the California Earthquake
20 Authority's use of revenue bonds in order to maintain
21 required levels of capital to meet potential claims.

22 That might be one example of its type of a
23 structure that could be used. My understanding is that
24 these bonds have been typically rated in the middle of
25 the spectrum of investment grade bond ratings. They're

1 reasonably, you know, state investments, I think.

2 A revenue bond act program also, in some
3 respects, resembles why we use tax increment financing
4 schemes, where for some taxing district created for a
5 special purpose, such as financing infrastructure
6 improvements, all increases in the tax base above a
7 baseline rate are directed into a fund. It's used to
8 repay bonds issued to the -- to fund the desired
9 expenditures upfront.

10 A critical question, however, is whether an
11 abatement program could provide returns sufficient to
12 fund a revenue bond issue. This answer is going to
13 depend on two things in particular. First, how quickly
14 abated tax revenue on presumably higher value projects
15 would overtake the status quo tax revenue a parcel would
16 generate without redevelopment, which is just a touch
17 [inaudible].

18 And, second, how many projects might receive
19 abatements that would have gone forward without them,
20 which is truly affordable on revenue.

21 If an abatement program focused on
22 supporting projects that would create high-density
23 housing, where there was known before that, on average,
24 I think such projects should lead to assessed values
25 that are multiple times higher than existing values.

1 To give one example from my own neighborhood
2 in LA, a recent project near me converted two small
3 commercial parcels with an assessed value of just over
4 1 million into a 46-unit apartment building with a
5 ground level commercial, that has a current assessed
6 value of about two years after it opened of close to
7 6 million.

8 For this sort of redevelopment, a relatively
9 brief abatement that phases out gradually, say, over
10 five or ten years, would tend to only require backfill
11 for the first one or two years before the new tax
12 revenue would overtake the prior revenue stream in
13 magnitude.

14 So in the case I just gave, collecting only
15 20 percent of the new assessed value would lead to
16 overall property tax revenue greater than the prior
17 assessed value at 100 percent.

18 This rather typical example of the kind of
19 redevelopment that makes the most economic sense in a
20 high-cost environment like California today suggests
21 that a well-targeted abatement program could likely
22 support a revenue bond repayment schedule, even if some
23 projects that might have gone forward without the
24 program also receive abatements in the process.

25 Of course, addressing the risk of providing

1 abatements to projects that would have proceeded
2 otherwise is difficult. Mr. Lane suggested that
3 developers might be willing to open their books to sort
4 of make a case along these lines, which would be a great
5 process, you know, if it's sufficiently, sort of,
6 transparent.

7 But, you know, one -- one other approach
8 would simply be to assure that the abatements target the
9 production of dense and kind of naturally affordable
10 housing, which is tended to be underproduced.

11 So in this sense, you know, new projects
12 can -- can be thought ex ante to have some claim to be
13 projects that would not have otherwise gone forward.
14 This -- this alone might minimize the likelihood of
15 spuriously providing abatements.

16 And then to the extent an abatement program
17 perhaps shifts developers toward producing this type of
18 housing rather than the more typical kind of luxury
19 housing being produced in most major metro areas today,
20 then it could also be argued as such projects would not
21 have gone forward in the absence of the program.

22 Zooming out, it occurs to me that it's also
23 important to contextualize any sort of
24 production-focused abatement program within the ongoing
25 program of interest rate hikes being conducted currently

1 by the Federal Reserve with the goal of county
2 inflation.

3 Since March the FED has raised rates from
4 nearly zero to three percent. And it's now generally
5 expected that they'll continue on this path until
6 [inaudible].

7 This suggests that the pro-housing
8 production effects of an abatement program could be
9 dampened by higher interest rates in two ways that occur
10 to me.

11 First, higher financing costs may simply
12 make all housing production less likely to pencil out.

13 Second, you know, treasury bond rates
14 represent the risk-free baseline against which any other
15 bond offering to finance an abatement program must be
16 compared against.

17 So higher treasury rates would require
18 higher rates for a relatively riskier revenue bond
19 offering, which might lead to lower capacity to finance
20 abatements for a given pool of capital that was set
21 aside.

22 But another way to view this scenario, in my
23 opinion, is that a property tax abatement program may
24 provide much-needed incentive to continue to build in
25 the face of economic headlines.

1 Much of our current housing woes in the
2 state can be traced to the collapse of housing
3 production during the Great Recession in 2008. The
4 production in the state fell from a total of around
5 200,000 units per year in 2005, to something closer to
6 40,000 units in 2011.

7 This collapse lasted much longer than the
8 collapse in demand. And the resulting mismatch is an
9 important factor that contributed to the dramatic lack
10 of affordability we see across the state today.

11 So if higher borrowing costs from the FED
12 had the effect of softening demand for labor and
13 materials in the -- in the housing sector, then the
14 savings represented by an abatement program may be able
15 to steer housing production toward the creation of, you
16 know, missing middle, or other forms of affordable
17 housing, specifically market -- market affordable
18 housing.

19 This could represent then a unique
20 opportunity to increase housing affordability in a time
21 of otherwise lack demand for the inputs of housing
22 production.

23 So just to summarize, backfilling
24 temporarily forgone tax revenue resulting from a
25 well-targeted abatement program that aims to increase

1 the production of dense affordable housing should prove
2 to be economically feasible under reasonable program
3 characteristics, due to the large gains in assessed
4 value typically observed with this type of redevelopment
5 activity. Considering the incentives of local
6 jurisdictions and existing homeowners suggest that the
7 use of revenue bonds may be a desirable way to
8 accomplish this goal.

9 And then, finally, current economic
10 conditions may work both for and against the
11 effectiveness of an abatement program. But, broadly,
12 such a program might represent a really rare chance to
13 support needed housing production in a countercyclical
14 fashion. Which could help with long-term state housing
15 goals at a time when such help may be especially
16 critical.

17 Thanks very much. I welcome your comments
18 and questions.

19 MS. COHEN: Thank you, Dr. Ward. You
20 actually gave us a lot to consider here.

21 And I was just wondering if you were able
22 just to simply just speak to a couple questions that we
23 have been hearing a lot.

24 Earlier this morning a panel of
25 representatives from public education, CTA, and some of

1 the other associated educational unions, just expressed
2 some concern about losing funding for public
3 instruction.

4 And I wanted to know if you had any advice
5 on safeguards that could be included in any -- in the
6 backfill, or if there's legislation that we need to
7 authorize for a bonding option for backfill. Just kind
8 of, can you speak to that a little bit?

9 MR. WARD: Sure. I can try.

10 You know, as I mentioned, I'm certainly no
11 expert in this area of finance.

12 But, you know, echoing the comments of
13 Mr. Lane, I think one way to sort of make this kind of a
14 program cause concerns like that would be to -- maybe,
15 a -- sort of come decide on a finite pool of money that
16 would be expended. Sort of in the way that, say, like
17 we fund rebates for electric vehicles at the state
18 level, or we just have this money. You can get it until
19 it runs out. And then you could basically, you know,
20 create a bond offering that would collect that money
21 upfront and set it aside, you know, as Mr. Lane said.

22 So in that sense, you would only be -- you
23 would only -- you would be able to hold people harmless
24 until you couldn't anymore, you know. And I think that
25 would be the most sensible way to just ease those fears

1 is by saying, you know, we will generate this capital
2 fund upfront, and you just spend it down until it can't
3 be spent down anymore.

4 But, you know, I think -- I think it should
5 also be relatively straightforward to show, as both I
6 and Mr. Lane were suggesting, and -- and as was echoed
7 by Ms. Carroll, that, you know, the type of
8 redevelopment that you would want to spur would just
9 tend to have a pretty dramatic increase in -- in the
10 assessed value of properties that were redeveloped.

11 So, you know, it's -- it's really hard to
12 see a scenario where there's uptake of a program like
13 this, and somehow, you know, it doesn't pencil out in
14 the end from -- from a financing perspective.

15 I mean, if you develop -- if you create
16 redevelopment that, say, raises property values or
17 assessed value by 5x on average, there's just really not
18 a great way for that kind of a program to fail, to be
19 able to provide -- to backfill temporarily lost revenue.
20 And in the long run, it should significantly increase
21 revenue.

22 Which in areas like California and like LA
23 where we have declining LUSD enrollment, which, you
24 know, is often attributed to poor housing affordability,
25 should really be sort of more of a cure than a -- than a

1 disease from the perspective of these kinds of entities
2 in my opinion.

3 MS. COHEN: Understood.

4 Thank you very much.

5 Let me see if Mr. Vazquez has a question.

6 He does.

7 MR. VAZQUEZ: Thank you again, Dr. Ward, for
8 your presentation.

9 As I mentioned last time, I am a strong
10 supporter of adaptive reuse. I've been working on this,
11 you know, back -- these in Santa Monica, as well as
12 LA County. And in your studies you've done, isn't there
13 a greater economic benefit from restoring unused
14 buildings for affordable housing, rather than letting
15 them remain vacant?

16 MR. WARD: So I would say that that
17 depends -- sort of probably depends on the way you frame
18 value, right?

19 I mean, I think there's considerable
20 environmental value to reusing buildings. I think
21 they're, you know, given the -- the need for housing, I
22 think there's sort of a welfare loss of letting
23 buildings sit vacant or underused in that way.

24 And as I mentioned last time, I do think
25 that, you know, targeting abatements potentially to

1 adaptive reuse of buildings, particularly, you know, to
2 the extent it might encourage existing developers to
3 redevelop buildings, which would greatly simplify some
4 critical aspects of adaptive reuse projects, I think
5 that could be a good use for an abatement program.

6 And I don't think that anything, you know,
7 in terms of the backfill financing stuff would be really
8 an issue there, you know, it would be -- would differ in
9 any way there from, say, new construction.

10 MR. VAZQUEZ: That's what was kind of my
11 thoughts. Thank you.

12 MS. COHEN: Senator Gaines has a question
13 for you, Doctor.

14 MR. GAINES: Yeah.

15 Thank you very much, Dr. Ward.

16 I'm just trying to think of an example of
17 market affordable housing that would not naturally be
18 built in the marketplace.

19 So I know that we're trying to, you know,
20 we're trying to find the missing middle, right? We're
21 trying to find out how do we provide more housing for
22 those individuals.

23 So what you're saying is that need is not
24 being met. And we -- we would want to maybe use a
25 revenue bond that would help offset those or incentivize

1 the construction of those types of units.

2 You mentioned dense affordable projects.

3 I mean, is that the type of product that would satisfy
4 the need that we're trying to fill?

5 MR. WARD: Yeah. So -- so I get -- you
6 know, a lot of these terms are pretty squishy, right?

7 Usually, in kind of government housing
8 policy, where when we say "affordable," we're thinking
9 of publicly subsidized, you know, housing. But I -- I'm
10 trying to use that more generically.

11 MR. GAINES: Okay.

12 MR. WARD: And think about, you know,
13 generally, I think of a positive relationship between
14 density and affordability. So when you can get more
15 units built, you know, they're going to just tend to be
16 more affordable by nature.

17 You know, I've heard of developers speak on
18 the topic of, you know, why do you produce so much
19 luxury housing? And, you know, the -- the takeaway
20 generally is because that's the only thing we can make
21 money on.

22 So I think that, you know, especially if
23 economic conditions continue to be more challenging for
24 housing production, and, you know, for housing
25 consumption really, I think that offering a route to

1 developers that says, just build more sort of low-frills
2 buildings that, you know, you can't sort of build a sort
3 of a low-frills building, and then just say, oh, it's
4 a -- it's a luxury development, you know. We're going
5 to charge high rates after all.

6 So I think in some sense you can just look
7 at the type of project people are proposing and get a
8 sense of where they're targeting in terms of the market.

9 And I think if you can use abatements to
10 steer people to sort of build, you know, the equivalent
11 of starter homes, like sort of starter departments and
12 things of this nature that are so rare now, I think that
13 you can address affordability in a reasonable way. At
14 least at the sort of middle level, that there's a lot of
15 focus on, without having to make it overly complicated.

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

17 And you're saying that in some of these
18 cases you can actually increase the -- you would
19 increase the value of the land, right? I guess in all
20 cases.

21 MR. WARD: Yeah. I mean, if you think
22 about --

23 MR. GAINES: -- and building on it. So --

24 MR. WARD: If you think about going from,
25 say, you know, to like a small commercial parcel that

1 had a few small businesses in it, to a, you know,
2 40-unit apartment building, it's just, you know, there's
3 really no question that that's going to significantly
4 increase the value.

5 And, you know, as long as people need to
6 live in housing units, you kind of, you know, it's a
7 little bit of a seller's market in the current
8 environment in California, I think. Especially if
9 prices come down.

10 MR. GAINES: Yeah.

11 MR. WARD: Which could happen, you know, per
12 growth statewide.

13 MR. GAINES: And if you had your own funding
14 via revenue bond, you wouldn't be getting into some of
15 these challenges we're having with CTA and education and
16 funding. And, you know, counties are worried too,
17 right? So --

18 MR. WARD: Those are my thoughts. That you
19 would essentially say, this is just a free lunch for you
20 all more or less, right?

21 MR. GAINES: Okay. Great. Thank you.

22 MR. WARD: Thank you.

23 MS. COHEN: All right. Great.

24 Before you let -- before we let -- we let
25 you go, I just want to acknowledge that the

1 recommendations that you've made are just incredibly
2 solid, well thought out. Thank you.

3 We've heard your testimony from last month
4 and this month about exploring a pilot, and if the state
5 explored a pilot to allow us to test the effectiveness
6 of -- of such a program in California.

7 What would you recommend that we include in
8 that pilot program?

9 MR. WARD: That's a really tough
10 off-the-cuff question.

11 You know, I mean, I guess it would have to
12 be sort of sufficiently large to generate enough
13 activity across a diverse range of areas, and maybe even
14 sort of housing topologies to have an understanding as
15 to what its, sort of, effects would be.

16 I think that the suggestion that Mr. Lane
17 made that developers would be willing to open their
18 books to sort of show that they have a specific need for
19 this abatement as a condition of making a project
20 pencil. If that's the case, that's great, you know.

21 Though I think that may also trade some
22 complexity in terms of, you know, showing that
23 California already has a lot of complexity.

24 But I think that that would be important to
25 at least explore in a pilot, looking at how much the

1 abatements matter to different types of projects in
2 different areas.

3 And, you know, I think it also then would be
4 worth doing something that sort of follows up and looks
5 at how potentially new production spurred by abatements
6 affect other prices in the area, right?

7 If there's any growing literature showing
8 that when you create new market-rate units in an area,
9 it actually creates these sort of migration chains where
10 people can sort of move through the housing stock, and
11 helps to really spur filtering and the creation of more
12 naturally occurring affordable housing.

13 So those are just some things I would sort
14 of think about, being cognizant of off the top of my
15 head. I hope that's not too much of a squishy answer.

16 MS. COHEN: It's not too much of a squishy
17 answer. We'll take it.

18 And we'll end on that note. Thank you for
19 your time and your expertise. We appreciate you joining
20 us.

21 And, Ms. Cichetti, we are a little bit ahead
22 of schedule. Our previously scheduled speaker,
23 Mr. Cornelius Burke, is not able to join us today. So I
24 was wondering if -- if perhaps we could go to public
25 comment.

1 MS. CICHETTI: Yes. Let's do that.

2 AT&T moderator, please let us know if

3 there's anyone on the line who'd like to make a public

4 comment regarding this item.

5 AT&T MODERATOR: And, once again, if you

6 have a comment, please press one, then zero at this

7 time. One and zero.

8 Madam Chair, we have no one in queue at this

9 time.

10 MS. COHEN: All right. Thank you.

11 So, folks, how about I -- I propose we take

12 a 15-minute recess. And we will reconvene at, we'll say

13 3:15. Thank you.

14 (Whereupon a break was taken.)

15 MS. COHEN: And we're gonna come back into

16 session.

17 Ms. Cichetti, I believe we already took

18 public comment online. I was wondering if there's

19 anyone in the chamber that would like to make public

20 comment. Let's call for it. This is just in the

21 abundance of transparency.

22 MS. CICHETTI: Yes. Yes.

23 Is there anybody in the audience who would

24 like to come up and make a public comment?

25 We have not received anything. No one's

1 completed any sort of documents that they wanted to
2 speak.

3 MS. COHEN: Wait a minute, I think I hear a
4 stampede coming.

5 Oh, no. Okay. Thank you.

6

7

ITEM VI

8

9 MS. CICHETTI: We do have one other item on
10 the Board Work Group. It's our sixth and final item to
11 do an overview of the day and the next work group
12 convening.

13 MS. COHEN: All right. Thank you very much.
14 Thank you, colleagues, for actively
15 participating, in the last three months, this work group
16 meeting.

17 And to the BOE staff, I just want to also
18 acknowledge your herculean efforts and -- and for
19 helping us facilitate and convene and participate in the
20 conversations.

21 I also want to acknowledge and thank your --
22 Members, your individual staff. They've just been
23 incredible.

24 Vazquez, you in particular, your staff has
25 been bar none. And I am very, very grateful for that.

1 I'd like to thank the presenters on this
2 third and final meeting of the Property Tax Abatement
3 Work Group. We look forward to presenting the minutes
4 and our final report to confirm our findings.

5 And I want to just say, alas, thank you to
6 Ms. Executive Director, Ms. Yvette Stowers, for her team
7 and their hard work on and managing these meetings,
8 noticing these meetings, making sure that we are in
9 legal compliance of these meetings. It's just beautiful
10 how everyone has all of their hands on deck.

11 I'm grateful for the cookies that are also
12 provided to this. It's the smaller things, but thank
13 you.

14 You see, that's the only thing that got
15 applause.

16 Also want to call attention to, as I
17 mentioned, Mr. Vazquez's team, but also my team, who
18 helps really steer this conversation doing the follow-up
19 work, and the follow-up e-mails, and the checking, and
20 the double checking, and then the coordinating on making
21 sure they can get online, the speakers.

22 So I am looking forward, as we just wrap
23 this up, and -- and kind of digest this, I don't know if
24 you guys have any parting thoughts or any last-minute
25 thoughts or things that you want to share?

1 Yes. Yes, Mr Schaefer.

2 MR. SCHAEFER: We're wrapping up the
3 meeting, right?

4 MS. COHEN: No, sir. We still have more
5 business, but we're wrapping up the work group.

6 MR. SCHAEFER: Okay. Well, I want to thank
7 all the speakers we've had from around the country, and
8 especially Ms. Carroll, who's built a couple hundred
9 thousand units, I understand.

10 We've learned so much about affordable
11 housing and property tax abatement.

12 Thank you.

13 And I want to thank Chair Cohen for
14 continuing to spotlight these issues, which is what I
15 think we can be very good at.

16 And I'm going to use everything that I've
17 learned to improve my relationships with the
18 Legislature, and with our executive staff on this
19 housing problem. So I thank you for bringing it to us.

20 MS. COHEN: Thank you.

21 Mr. Gaines, any comments for you?

22 MR. GAINES: Yeah.

23 I want to thank you, Member Cohen, and
24 Member Vazquez for all your hard work and for moving
25 forward on this issue. It's a huge issue. I think

1 we've learned a lot in the last couple of sessions. And
2 we can then try to figure out what -- where do we go
3 from here.

4 But I was really impressed with some of the
5 later speakers, both Mr. Lane in terms of kind of
6 providing some concrete ideas of what we might want to
7 look at. He talked about a rebate opportunity.

8 And then also Jason Ward from RAND
9 Corporation about a pilot program. And I thought those
10 are maybe two areas we could look at.

11 I had a chance to speak to Member Vazquez
12 earlier, and he's talked about this throughout the whole
13 conversation about focusing on those lands that school
14 districts have. And that might be a pathway.

15 That's -- I'm trying to find something kind
16 of tangible that we can focus on and really have an
17 impact. But those are kind of the three areas that I
18 saw that I think are promising. And I'm sure there's
19 other ideas too.

20 But thank you for this presentation. It's
21 very helpful.

22 MS. COHEN: Excellent. Thank you.

23 Mr. Vazquez.

24 I'm sorry, Mr. Epolite, did you have
25 something?

1 And then, Mr. Vazquez, we'll close with you.

2 MR. EPOLITE: I just want to chime in as
3 well and thank you and Member Vazquez and your staff for
4 putting these work groups together. I know that was a
5 lot of effort on your parts. So thank you.

6 MS. COHEN: Thank you for recognizing that.

7 MR. VAZQUEZ: Thank you.

8 And thank you all, especially our Chair for
9 putting this together. Because the logistics, I know,
10 it's a nightmare with some of these folks, as you saw,
11 with many of our speakers.

12 But one of the things that -- and just
13 thanking for those hopefully that are still listening,
14 those that may have spoke today or in the previous
15 hearings, for your time and efforts, and sharing your
16 ideas and expertise on this item.

17 And in short -- in this short time, one of
18 the things that came up to me is there was kind of three
19 areas that kind of hit me as we were listening to the
20 hearings over the last few months here. One of them was
21 streamlining. Seemed to be one that we really need to
22 look at.

23 The other one was the cost effectiveness,
24 and then public accountability. And in terms of
25 streamlining, I think the Governor, the Senior Housing

1 Advisor said streamlined efforts are the secret
2 ingredients to success in incentivizing affordable
3 housing.

4 The majority of the speakers over the past
5 three months have asked us to streamline our exemption
6 application and our approval process, both for the
7 BOE and the assessors, on the cost-effective side, the
8 size and extent of the terms and parameters of an
9 exemption or abatement based on what makes financial
10 sense.

11 Let's incentivize various types of
12 affordable housing, but not break the city's or county's
13 or state budgets.

14 On the public accountability side, to review
15 and ensure that every party involved in the exemption or
16 abatement process is accountable in terms of the time,
17 efficiency, in terms of the public benefit they provide,
18 and in terms of reducing the burden of government agency
19 bureaucracy. And to me, those are like the key things.

20 And I think, as Member Gaines mentioned, one
21 of the things that we might want to look at, because I
22 know in hearing, especially the speakers today, people
23 are obviously a little bit nervous and worried about us
24 taking away any potential revenue source.

25 So maybe where we -- one of the areas we can

1 bite off kind of in the short term, as we're thinking
2 through some of the other potential incentives and
3 abatements, is look at targeting those properties that
4 are owned by cities, states, school districts, college
5 districts, and the federal government in the state of
6 California that are either vacant or underutilized.

7 Because those are currently not paying any
8 taxes now. So that wouldn't create any kind of an
9 impact -- or for those that are, depending on those
10 revenue streams.

11 So that might be one of the areas we should
12 look at. And I'll bring it back to the Chair and -- for
13 our next steps.

14 MS. COHEN: All right. So our next steps
15 right now, there are -- there's no further discussion.
16 I'd like to go ahead and adjourn this portion of our
17 work -- oh, excuse me.

18 Ms. Stowers, are there any closing remarks
19 that you want to make?

20 MR. VAZQUEZ: I'm sure she has a few.

21 MS. STOWERS: I have something to say, I
22 believe. I will be brief.

23 Thank you, Chair Cohen and Honorable Members
24 of the Board.

25 I want to thank you all for the

1 participation for today's hearing and the past two
2 hearings. The information presented was very
3 informative, very good and important dialogue. And I
4 look forward to the Board's Work Group's next steps.

5 MS. COHEN: All right.

6 Thank you. Okay.

7 So Members have already spoken.

8 Ms. Stowers, thank you for your gracious
9 words.

10 If there's no other further discussion, I
11 hereby adjourn the Tax Abatement Board Work Group.

12 Thank you.

13 (Whereupon the Tax Abatement Board Work
14 Group concluded.)

15 (Whereupon the California State Board of
16 Equalization Meeting reconvened.)

17 MS. COHEN: Now, Ms. Cichetti, what I'd like
18 to do is reconvene the Board of Equalization Meeting at
19 this time.

20 Thank you. So we are reconvening.

21 Ms. Cichetti, could you please call the
22 item.

23 **ITEM K1a**

24

25 MS. CICHETTI: We could go up to the L item,

1 which is the Board Work Group. Or did you want to go to
2 your item that was tabled from yesterday?

3 MS. COHEN: I'd like to go to the item that
4 was tabled yesterday to finalize that discussion. And
5 it will be quick and brief. Quick and brief. Wow.
6 That's -- that's fast.

7 May I begin?

8 MS. CICHETTI: I -- I -- I'm trying to
9 think. You were on -- it was one of the K items.

10 MS. COHEN: I'm sorry. Yes, it was. I'm
11 not rushing you.

12 MS. CICHETTI: Yes. K1a. It was from the
13 Executive Director's section.

14 And the item that was tabled was that you
15 were going to -- you were interested in --

16 MS. COHEN: What I -- let's see.

17 The K1 item was about the Board Outreach and
18 Communication Work Group.

19 MS. CICHETTI: That's correct.

20 MS. COHEN: And Mr. Nanjo brought to my
21 attention that work group plans or some kind of a
22 framework is usually presented and/or discussed.

23 And so what I have for me is a motion for us
24 to discuss. It's very simple. It's a clean outline.

25 And what I'd like to do is make a motion

1 that we establish a Board Outreach and Communication
2 Work Group. And I move to create this work group per
3 our charter, as required by the charter, I would also
4 like to offer the following additional information:

5 The subject matter that we're going to be
6 discussing will be the objective of the -- the objective
7 of the work group is to leverage the resources of each
8 Board Member's offices and the agency to become more
9 effective in a Board for our outreach and communication.

10 May I continue? Okay.

11 The Chair, I have asked it be Member
12 Vazquez. And this -- the reason why I reached out to
13 Mr. Vazquez to ask him to Chair this is because, based
14 on his responsibility in the strategic plan. He's the
15 thought creator of the strategic plan. And part of the
16 main takeaway of the strategic plan is the
17 communications and outreach of the Board of
18 Equalization.

19 The other item I'd like to talk about is the
20 time frame. And, well, at this point, it's
21 undetermined, with the goal of placing the agenda --
22 something on the agenda starting next month for us to
23 facilitate a discussion. And the membership will be all
24 Board Members.

25 So the subject -- subject matter is going to

1 be working -- Board Members' offices working together
2 with the agency for the outreach and communication.
3 It's going to be chaired by Mr. Vazquez. The timeframe
4 is undetermined.

5 But we have -- we'd like to place our first
6 meeting -- or have our first meeting established next
7 month on next month's agenda.

8 And all of us will be Members, all Board
9 Members.

10 So I move that we create the Board of
11 Equalization Outreach and Communication Work Group.

12 Is there a second?

13 MR. VAZQUEZ: I'm going to second it for
14 discussion, and I have a question.

15 But go ahead. Are we good?

16 MS. COHEN: Please. Ask your question.

17 MR. VAZQUEZ: And I guess -- let me call up
18 our legal counsel on this one.

19 So, Mr. Nanjo, can you help me -- or explain
20 what's the difference between setting up a work group
21 versus -- I think we already have a second day set up in
22 our next Board Meeting where this could just be
23 agendized.

24 Because we're all going to be included in
25 either one, right? I think we all have to be included;

1 is that correct.

2 MR. NANJO: The work group can be anywhere
3 from one to five Members, or all the Members of the
4 Board. It's up to however the -- the Board desires to
5 set it up.

6 I believe you already have a subcommittee --
7 or not subcommittee, but a group that's been designated
8 as part of strategic planning, Member Gaines and
9 Member Schaefer, that -- that kind of does something
10 similar on communications.

11 So I'm not entirely clear what the
12 difference is. It sounds like the motion that
13 Chair Cohen is making is for a body to kind of get best
14 practices.

15 And please correct me if I'm wrong,
16 Chair Cohen, but best practices from the district
17 offices, kind of share lessons learned, that kind of
18 thing, to improve the communication and outreach of your
19 individual offices, is what I was hearing.

20 Is that generally correct or --

21 MS. COHEN: Generally.

22 MR. VAZQUEZ: Let me ask the Chair.

23 MS. COHEN: Thank you. Let me --

24 MR. VAZQUEZ: Go ahead.

25 MS. COHEN: I heard the question.

1 So, first, I want to say the work group that
2 was chaired by Gaines and Schaefer was specific to
3 branding.

4 MR. NANJO: Okay.

5 MS. COHEN: What I'm proposing is a work
6 group that would come together for communication and
7 outreach. So building off of the work that we've
8 already established from the previous work group is what
9 I'm proposing.

10 And if you may recall, you had staff that
11 participated. These two gentlemen led the conversation.
12 They had their staff come, and they presented to us. So
13 it's the same similar format.

14 This is actually not something new. We've
15 had a couple work groups now at this point. It's -- and
16 it's not for an indefinite amount of, you know, time.
17 If we want to end it, we can end it.

18 But you will essentially be being the Chair.
19 You will say, I'd like to -- the work groups are
20 gonna -- the work group is going to come together.
21 We're going to notice the public.

22 And that means all of us can be present.
23 That means our staff can be there. Staff can be there.
24 Or that means that you can start the meeting and staff
25 comes in with ideas and start working on it.

1 What the work group allows us to do is two
2 things, one, to publicly notice that we are going to be
3 getting together, and we're going to be talking about
4 said topic.

5 And, two, more flexibility to talk. If we
6 come together at a Board Meeting as a Board, one, all of
7 us must be present, and, two, we don't have -- we're
8 not -- we don't -- we're restricted from having prior
9 communication. We cannot talk about an agenda item,
10 because -- prior to being into the chamber, because then
11 we are in violation of Bagley-Keene.

12 MR. VAZQUEZ: I'm good with that.

13 I guess my question is more -- and I don't
14 know if it's a legal question now. Now, more -- it's
15 maybe the -- the name of the -- of this work group.
16 Because I don't want to feel like I'm stepping over the
17 committee that was already up and running on the
18 other --

19 MS. COHEN: Okay. Hold on.

20 MR. VAZQUEZ: Maybe we call it something
21 else.

22 MS. COHEN: Okay.

23 MR. VAZQUEZ: Since we're focused more on
24 the affordable housing front, right? Is that what --
25 because that's what I'm hearing that you want me to

1 chair, or no?

2 MS. COHEN: No, not necessarily restricting
3 to affordable housing.

4 This team over here, these gentlemen
5 actually dealt with branding, remember? They had USC
6 come in.

7 MR. VAZQUEZ. Right. Right.

8 MS. COHEN: They had some experts come in
9 and just talk about the Board of Equalization branding,
10 and how we can come up with it.

11 This work group that I am suggesting that
12 you head up is specific to outreach and communication.

13 So if you recall yesterday, Mr. Schaefer --
14 I mean, Mr. Gaines was talking about how he puts
15 together a newsletter.

16 I don't know if you put together a
17 newsletter. I put together a newsletter. But we don't
18 have that flexibility to talk about and to share and --
19 and talk about what we're doing, for fear of violation
20 of -- of -- of Bagley-Keene. And the -- the work group
21 will allow us a space to -- to come together, come to
22 ideas.

23 The Board of Equalization has an outreach
24 strategy. They have -- they have a staff person, so
25 that the work that Mr. Gaines is doing could be

1 complementary to the State Board of Equalization, and
2 vice versa. And just having this conversation again in
3 a public setting as opposed to behind closed doors,
4 possibly in violation of Bagley-Keene.

5 MR. VAZQUEZ: I guess my -- I'm a little bit
6 confused. Because I'm -- I'm interested in doing the --
7 running the -- being the chair. But I want the focus to
8 be on what we were discussing, the housing, the
9 affordable housing piece, and how we're going to do the
10 tax credits and abatement. I'm not --

11 MS. COHEN: We already have an affordable
12 housing work group. We're in it. We just convened it.
13 That exists already.

14 This would be a third work group. So we
15 have a brand --

16 MR. VAZQUEZ: To do -- to do communication
17 and outreach?

18 MS. COHEN: Correct. Correct.

19 MR. VAZQUEZ: Well, I'm not interested in
20 chairing that, if that's what it is.

21 MS. COHEN: Okay. Thank you. All right.

22 MR. VAZQUEZ: If it's the affordable
23 housing, I'm -- I'm ready to go. I'll roll up my
24 sleeves.

25 MS. COHEN: I'm Chair of the Affordable

1 Housing Work Group, so you can't have that.

2 MR. VAZQUEZ: Okay.

3 MS. COHEN: So now --

4 MR. VAZQUEZ: For a couple of months.

5 MS. COHEN: For a couple months.

6 But -- but with all -- with all -- but the

7 work still needs to be done.

8 So please -- please do the branding -- I

9 mean, please do the out -- please do the outreach and

10 communication. It's important to me. Please. I'll

11 help you.

12 MR. VAZQUEZ: I'm just -- I just -- it feels

13 like I'm stepping on their toes. That's -- that's why.

14 MS. COHEN: Okay. Well, let me -- let me --

15 MR. VAZQUEZ: Let's hear from the other two

16 Members. That's all.

17 MR. GAINES: I thought we were doing both

18 communications and branding. I thought that was part of

19 our charge when we made our presentation.

20 So it does seem to duplicate what we've

21 done. But I like the idea about talking about it with

22 all of us at a meeting, right?

23 And so if that's something that could be

24 agendized and brought forward, I would -- I guess I'd

25 like clarity through Mr. Nanjo in terms of the

1 differences of means of communication for, you know, if
2 we just agendized an item, we can't discuss that with
3 more than one other Member prior to the meeting, the
4 public meeting.

5 But if we -- if you put a work group
6 together, is that different in terms of our ability to
7 communicate?

8 MR. NANJO: Not -- there -- there may be a
9 tiny bit more flexibility, but not really.

10 If it's a work group of all five Members,
11 then anytime the five Members are talking about
12 something that comes before the Board, that would be an
13 item that's subject to the Bagley-Keene rules.

14 One of the things I could suggest is if you
15 want to have an opportunity to talk about the concept of
16 this work group and kind of goes -- goes -- go over the
17 scope, one of the things that's contemplated in the
18 structure, Board Work Group structure document that this
19 Board has already approved is the concept of put --
20 bringing it up as an L item, and then you -- you
21 would -- the Members would be free to kind of work out
22 the details at an L item. That's one option.

23 I don't want to step on the Chair's toes.
24 It sounds like she has kind of a plan built out. And
25 just so that we're protecting ourselves vis-à-vis

1 Bagley-Keene, the structure talks about three ways that
2 a work group can be formed.

3 One is through an L item that's put on the
4 agenda and the Board Members discuss it. And if they
5 say, this is a great idea, we'll do a work group, a work
6 group can be formed.

7 Another way that's specifically contemplated
8 in the structure is through an agenda item. And in this
9 case, the Executive Director has, I believe, spoken at
10 least two meetings now on the concept of communications
11 and outreach. It's been something that's of interest to
12 this Board. And I think yesterday in her report she
13 talked about the concept of possibly having a work group
14 on it, and -- and some parameters around that.

15 So of course that's another place where this
16 Board can go ahead, as Ms. Cohen, our Chair, has done,
17 and said, let's go ahead and set a work group along
18 those lines.

19 So it is really the Board's option on which
20 of those two methodologies they use.

21 MS. COHEN: Thank you.

22 You know, gentlemen, I just want to say that
23 you sat here this month, last month, the month before,
24 talking about how wonderful this was of a conversation
25 and what outstanding leadership is. I am the Chair of

1 this body, and I'm providing leadership and guidance for
2 this. If you don't want to do it, you don't want to do
3 another work group, that's under -- I understand that,
4 and I -- I will fall back. We don't have to do this.

5 But I also want to just really highlight
6 that I think I've done a good job. My team has done a
7 very good job in providing leadership and stability to
8 this -- to this -- to this body, and making sure that we
9 are -- this body is taken seriously, not only in the
10 Department of Finance's eyes, the Governor's eyes, and
11 the Legislature's eyes.

12 And so I am not quite sure why it's so
13 confusing and so hard to understand. This is -- would
14 be literally the third work group that we would be
15 setting up.

16 But it sounds like there isn't an appetite
17 for it. And -- and I'm okay with that. But I do want
18 you to understand that we have a duty to always be
19 transparent and to do work.

20 The number one question that you hear in the
21 Legislature is "What do you do?" And so what I am doing
22 is finding ways to show and to highlight how we do what
23 we do. Not to mention, asking you guys to step up and
24 be leaders, so that you are also able to show and
25 demonstrate your leadership capabilities.

1 But if there is no appetite to do that, I am
2 not going to force it. If you just want to continue to
3 have one-day meetings, two-day meetings, and be in and
4 out by noon, okay. But I think that it is to the
5 detriment of this fine agency that we are all
6 collectively working to rebuild.

7 Now, is there a second for the motion? Are
8 we going to have the votes, or are we going to -- we can
9 adjourn, and we can go on, and come back together next
10 month.

11 MR. SCHAEFER: I have a question.

12 When we first got together in 2019, we took
13 note of the fact that the prior BOE had committees. And
14 we talked about having committees. Have we ever gone to
15 the committee deal? I just heard of work groups.

16 MS. COHEN: Well, that's an interesting
17 thing. We proposed it, and I didn't have the support
18 from this body. So, as a result, I said, "Well, what
19 about a work group?"

20 So there is friction that I don't understand
21 when it comes to actually providing service to the
22 people that we are representing.

23 So there's a motion that is on the table.
24 And I'm going to restate this motion.

25 This motion is to -- to establish a work

1 group --

2 MS. CICHETTI: Before we go further,
3 Ms. Cohen. I think it would be best for us to withdraw
4 the first one from yesterday before you make a new one
5 today.

6 MS. COHEN: Oh, I was unaware that it was
7 still open.

8 MS. CICHETTI: It was still, because it was
9 on the table.

10 MS. COHEN: I withdraw the motion that we
11 were entertaining yesterday.

12 The motion that we entertained today is
13 still a work group meeting for --

14 MS. CICHETTI: You could go forward now.

15 MS. COHEN: Thank you.

16 MS. CICHETTI: I just wanted to make sure --
17 let's get it straight.

18 MS. COHEN: Okay. I appreciate that just
19 for clarity and making sure our records are clean.

20 This is a work group structure that will
21 focus on communication and outreach. And the subject
22 matter is going to be -- to leverage resources from our
23 office, as well as the agency.

24 And I have asked Vazquez to be the Chair,
25 but I'm open to someone else being the Chair if he's not

1 interested in being the Chair.

2 MR. GAINES: I'm wondering if -- is this
3 something that we could take a look at next month?

4 MS. COHEN: No.

5 MR. GAINES: Agendize it.

6 MS. COHEN: Nevermind. I -- I -- I rescind
7 that motion off the table, and this meeting is
8 adjourned.

9 Thank you.

10 (Whereupon the meeting concluded.)

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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
September 28th, 2022, 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 230 constitute a complete and accurate
transcription of the shorthand writing.

Dated: November 9, 2022



JILLIAN SUMNER, CSR #13619
Hearing Reporter