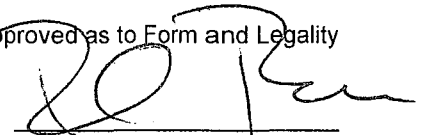


16 JUN -9 PM 4:01

Approved as to Form and Legality



City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

INTRODUCED BY COUNCILMEMBER DAN KALB

RESOLUTION IN SUPPORT OF AB 2818 (CHIU) THAT WOULD REQUIRE COUNTY TAX ASSESSORS TO CONSIDER WHEN VALUING PROPERTY FOR PROPERTY TAXATION PURPOSES RECORDED AFFORDABILITY RESTRICTIONS ON LOW AND MODERATE INCOME HOUSING INCLUDING COMMUNITY LAND TRUSTS

WHEREAS, there is a severe shortage of rental housing and homeownership opportunities for low or moderate income (LMI) households in Oakland; and

WHEREAS, existing state law requires every assessor to assess property subject to tax at its full value; and

WHEREAS, as a general rule, private parties, including nonprofit organizations, cannot reduce the taxable value of their property by imposing private encumbrances upon it; only enforceable government restrictions are recognized as limiting the full fee simple interest; and

WHEREAS, Community Land Trusts (CLT) and other non-profit organizations such as Limited-Equity Housing Cooperatives (LEHC) provide an affordable housing model to help LMI households to own a home that may not otherwise be able to purchase one, and many CLTs in California also have robust rental portfolios restricted for LMI households; and

WHEREAS, a CLT is generally formed as a membership-based, non-profit organization with members who include CLT homeowners, neighbors, and other local residents, providing community buy-in over local development, and many CLTs also provide homeowners with homebuyer education and financial literacy courses; and

WHEREAS, while a subsidy is often needed to start a CLT, outside funding is no longer necessary once homes are occupied, which provides steady fee revenues, and are resold, which recycles the original subsidy thereby allowing homes to remain permanently affordable; and

WHEREAS, according to the National CLT Network, virtually all CLT leases pass along the cost of property taxes to the homeowner; and

WHEREAS, LEHCs are housing co-ops that are specifically developed to offer permanently affordable homeownership opportunities for LMI households; and

WHEREAS, share prices in these co-ops are usually low, with price restrictions put on the sale of shares to prevent speculative resale and preserve affordability; and

WHEREAS, existing law does not specify that LEHC ownership is limited to LMI individuals, and as such, non-LMI individuals may be able to benefit from reduced property tax assessments if they own a share in a LEHC; and

WHEREAS, CLTs and LEHCs in California experience an inconsistent methodology for assessing property taxes; in some cases, the units are assessed at "fair market value," which does not take into consideration the underlying land lease and restrictions on home resale price; in other cases, the units are assessed in between the market and restricted value with varying explanations for the inconsistency; and

WHEREAS, AB 668 (Gomez) was passed in 2015 which provided that specified self-imposed private encumbrances could result in assessments of reduced property taxes if the applicable contract is recorded and provided to the assessor, but authorized contracts are limited to those by a non-profit corporation granted a welfare exemption to sell low-income families participating in a special no-interest loan program affordable housing, and as a result, assessors must now consider the non-profit's organization-imposed restrictions when determining a property's assessed valuation; and

WHEREAS, the purpose of AB 2818 (Chiu) is to create consistent assessments; and

WHEREAS, AB 2818 follows the precedent established by AB 668 and requires the county assessor to consider the effect of private party affordability restrictions on a property's use when determining that property's assessed valuation; and

WHEREAS, requiring county assessors to consider the impact of private party enforceable restrictions when valuing real property for property taxation purposes is intended to result in more consistent assessments of homes on CLT-leased land; now, therefore, be it

RESOLVED: That the Oakland City Council hereby endorses AB 2818(Chiu) and urges the California State Legislature and Governor Jerry Brown to support its enactment into law.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLÉN, KALB, KAPLAN, REID, AND
PRESIDENT GIBSON MCELHANEY

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California

FILED
OFFICE OF THE CLERK
SACRAMENTO
16 JUN -9 PM 4:03

ASSEMBLY BILL 2818

PROPERTY TAX RELIEF FOR COMMUNITY LAND TRUSTS

ACT OF 2016

ASSEMBLYMEMBER DAVID CHIU

BILL SUMMARY

AB 2818 (Chiu) establishes the market value of a community land trust (CLT) home for the purpose of property tax assessment. AB 2818 creates a uniform standard for CLTs to receive a property tax welfare exemption. This bill would also create a property tax welfare exemption for properties that CLTs acquire but have not yet developed into housing for low and moderate-income tenants.

BACKGROUND

California is faced with a severe housing crisis. California has the 15th highest poverty rate in the nation – until you factor in housing costs – then we jump to number one. CLTs offer a permanent, affordable source of housing to low and moderate-income families in many high cost housing markets.

CLTs are nonprofit organizations that employ a unique and innovative method to permanently preserve affordable housing. CLTs achieve this goal by separating the ownership of land from the ownership of a home (the improvements). A CLT home can be sold to a qualifying family but the cost of the land is not passed on through the transaction. Instead, the nonprofit CLT retains ownership of the land and maintains a supportive relationship with homeowners to help ensure their success.

In some cases CLTs are formed to purchase exiting multi-family properties that are vulnerable to speculator developers as they are easy to "flip" into condominiums. Non-profits purchase these properties and convert them to CLTs in the form of housing cooperatives in which the cooperative has a 99 year lease on the property and ownership of the building. Individuals own shares in the building which are affordable and where resale is restricted

to low and moderate income tenants. In some cases the property remains rental housing for all tenants.

Facilitating the development of CLTs will help address the affordable housing crisis because they strike a balance between the needs of individuals and families to own a home and build equity with the desire for the larger community to ensure that housing is available to low and moderate-income people in perpetuity. While the homeowner does not possess title to the land, they lease the land from the CLT for a nominal monthly administrative fee which grants them exclusive rights to the land. The CLT will always own the land – this is the mechanism that allows the CLT to ensure that the property will remain affordable in perpetuity.

THIS BILL

Non-profits throughout the state have experienced an inconsistent methodology for assessing property taxes for CLT units. In some cases the units are assessed at the "fair market value" which does not take into consideration the underlying land lease and its restrictions on the resale price. In other cases homes are assessed somewhere in between market and the actual restricted value with varying explanations for the inconsistency. The ongoing affordability of CLT homes critically relies on the accurate and fair assessment of the home. In some cases, the property taxes are nearly double what they should be, particularly when assessed at the market value. Even 10 to 20 percent higher taxes can make these homes no longer affordable, putting the homeowner in jeopardy of foreclosure or unable to properly maintain the physical property. AB 2818 would create a uniform standard so that CLTs can receive a property tax exemption.

Non-profits purchase existing multi-family structures and land to convert or develop into a CLT. During the time the non-profit is developing the CLT and obtaining financing, the property can be assessed at the market value. This can be prohibitive for a non-profit. AB 2818 would exempt CLTs from assessment at the full market value during the development process. Under existing law, CLTs can obtain a welfare exception after occupancy of a rental property but not before the property is developed.

CONTACT

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Office of Assemblymember David Chiu

SUPPORT

California Community Land Trust Network
(sponsor)
AMCAL Multi Housing, Inc.
Bay Area Community Land Trust
BCLT Bolinas
California Association of Local Housing Finance
Agencies (CAL-ALFHA)
California Housing Consortium
Community Land Trust Association of West Marin
(CLAM)
Enterprise
Greenlining Institute
Grounded Solutions Network
Habitat for Humanity
Housing Land Trust of Sonoma County,
Irvine Community Land Trust
Northern California Land Trust
Oakland Community Land Trust
PolicyLink
Policy Innovation + Justice Project, Dellums
Institute for Social Justice
Marty's Place Affordable housing Corporation
Preserving Affordable Housing Assets Long-term,
Inc. (PAHALI)
San Diego Community Land Trust
San Diego Housing Federation
San Francisco Community Land Trust
T.R.U.S.T. South LA
The Beverly-Vermont Community Land Trust
Urban Strategies Council
Individuals (11)

OPPOSITION

None on File.