

# THE ORANGE COUNTY REGISTER

## **A call to halt OC Tax Assessor Claude Parrish’s foolish “rent tax” proposal**

By Lucy Dunn | Orange County Register

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Imagine a bustling city in California where hardworking teachers, first responders, healthcare professionals, and many others struggle to find affordable homes. Actually, it’s not hard to imagine at all as California has experienced a decades-long housing crisis—millions of apartments and homes behind in production.

Now, imagine a remarkable solution—a Workforce Housing Program. Picture this program as one important beacon of hope, where public-private partnerships between state-level Joint Powers Authorities (JPAs) working with local governments and real estate companies, purchase and rehab existing apartment buildings with a goal toward lower rents for the middle class.

Meet the heroes of our story: JPAs are alliances formed with state agencies, cities and counties, and, using collaborative efforts, purchase apartment buildings needing repairs and improvements. Because they are governmental entities, JPAs can issue municipal bonds to purchase existing multifamily buildings and deed restrict all of the units to folks with middle class incomes.

Working with a private developer as its contractor and manager, JPA’s can turn these structures into new lower cost havens for the middle class. And particularly for those workers earning between 60% and 120% of the area median income (approximately \$42,000 to \$108,000 annually), offering affordable rents and saving tenants thousands of dollars each year. Upon repayment of all bonds, city partners become the owners of the buildings and accrued equity. Typical property tax exemptions for the JPAs are the only subsidy for the rent savings.

Since 2019, over 40 projects like this have emerged, successfully providing nearly 14,000 units of workforce housing. Anaheim, Long Beach, Orange, Huntington Beach, Escondido and numerous other California cities have praised the program and the rental savings provided to their residents. The importance of this program cannot be overstated, especially considering the rising costs of living as recently outlined in the 2023-2024 Orange County Community Indicators Report.

Wages needed for a one-bedroom apartment have soared—over \$45 per hour—making it increasingly challenging for the middle class to secure adequate housing. The OC Register reported recently that Orange County named the hardest place to find an apartment in California.

Enter Orange County Tax Assessor Claude Parrish with a questionable proposed “possessory interest tax”—a “rent tax” —on this new middle-class housing.

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In our story, the “possessory interest tax” plays the role of an ominous cloud hovering over the affordable housing landscape. Picture it as a fee imposed on individuals, administrators, or developers who have a beneficial interest in a property but do not own it outright. In simpler terms, it’s a tax on the right to use or possess a property, even if you don’t technically own it.

This “possessory interest tax” would be leveled on who in this case? The new renters? The real estate developer? The apartment property administrator? No matter. If imposed, it would flow to one place—upping the cost of rent. It threatens to eliminate the savings for tenants or discourage JPAs or cities from participating in workforce housing projects. And certainly, the private sector—having no ownership interest in the properties—should not have to pay this “rent tax” that would otherwise chill their incentive to participate in this unique solution for workforce housing

Unfortunately, this makes Claude Parrish the villain of our story.

On September 27, 2023, Mr. Parrish appeared to argue before the California State Board of Equalization that this form of Workforce Housing Program is “not helping anybody” and that middle-income households “do not exist” in California.

In reality, there are over 3,000 of these units and over 8,000 middle-income households benefiting from them in Orange County alone. In the midst of a housing crisis affecting not only low-income but also middle-class renters, workers beg for effective solutions. Instead of Mr. Parrish’s misguided tax increases, his call should be to foster, embrace and accelerate common-sense solutions.

This tale unfolds with a plea to protect the middle class, recognizing that Workforce Housing Programs can be a key piece to the puzzle of solving the housing crisis in our bustling California city.

Thus, we ask: Mr. Parrish, please return to being Orange County’s middle-class taxpayer hero and support creative housing solutions so desperately needed. Drop your proposed “rent tax” idea and renew your long-standing commitments to fairness, taxpayer friendly policies, to become a defender of Orange County’s working people.

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