

# AGENDA



## **TAXATION AND GOVERNMENT FINANCE COMMITTEE**

Room 203 A/B/C, Convention Center

2:00 p.m. to 3:30 p.m., Thursday, October 10, 2013

### **MISSION STATEMENT**

This Committee is a Policy committee. Its mission is to develop C.A.R.'s government and taxation policy. It has original jurisdiction to evaluate legislation and regulation in the following issue areas as they relate to real estate:

Commercial Investment

Government Finance

Property Tax

Transaction Tax

### **PRESIDING**

Hal Alpert, Chair

J. Michael Roberts, Vice-Chair

### **ISSUE CHAIRS**

Sandi Adelson, Property Tax

Bob Hartman, Transaction Tax

Geoffrey Poulos, Commercial Investment

Sue Walsh, Government Finance

### **LIAISON**

Ted Loring, C.A.R. Executive Committee Liaison

### **STAFF**

Christopher Carlisle, Legislative Advocate

Matt Roberts, Federal Government Affairs Manager

## **I. WELCOME AND OPENING REMARKS**

Hal Alpert, Chair

## **II. STATE TAXATION ISSUES**

### **A. ACTION ITEMS:**

#### **1. Property Tax**

Sandi Adelson, Issue Chair

#### **A. RETAINING PROPOSITION 13 PROTECTIONS FOR RESIDENTIAL PROPERTY IN A SPLIT ROLL**

Generally speaking, under Proposition 13 county assessors determine a property's value upon a change of ownership and a property tax limited to 1 percent of that value is imposed. Under a split roll, however, not all properties on the assessment roll are treated equally. Typically, a split roll would require owners of commercial properties to pay property taxes at a rate higher than that imposed on homeowners or have their property reassessed more frequently. One concern regarding the split roll systems most commonly proposed is that the increased property taxes on commercial residential property would be passed on to the residents of multi-family housing units and corporation owned single family residential developments. However, could commercial residential property be treated the same way as single family residential property? In addition, could a split roll specify that Proposition 13's 1 percent property tax limit still applies to non-residential commercial property but that the property must be reassessed to current market value periodically; for example, every 3 years?

Should C.A.R. revise its position on the property tax split roll issue? (See Policy Position Paper.)

#### **B. FLORIDA'S PROPERTY TAX SYSTEM DIFFERS SIGNIFICANTLY FROM CALIFORNIA'S SYSTEM**

The property tax system that has developed in Florida is remarkably similar to the Proposition 90 program in California which allows the transfer of the property tax basis of a home in one county to a home located in another county. The Florida experience may serve to inform how California's property tax system may evolve. While Proposition 13 primarily limits tax increases by placing a 1 percent cap on the tax rate, Florida's property tax increases are only curtailed by a cap on assessments. In Florida, property is reassessed every year; however, the "Save Our Homes" amendment to the Florida Constitution adopted in 1992 limits assessment increases to no more than 3 percent of the previous year's assessed value. Interestingly, nonresident homeowners cannot qualify for this cap -- it is only available to homeowners who are permanent residents. And, in 2008, the voters of Florida approved a measure which allows for the transfer of the tax savings that accrue under the Save Our Homes amendment to another home up to \$500,000.

Should C.A.R. study Florida's property tax system further to determine whether there are modifications that should be made to California's method for taxing property? (See Policy Position Paper.)

## **2. Government Finance**

Sue Walsh, Issue Chair

### **A. REDUCING THE VOTE THRESHOLD NEEDED TO APPROVE HOUSING BONDS**

Generally speaking, funding for affordable housing is no longer available. The voters of California approved Proposition 46 which C.A.R. supported in 2002 which provided \$2.1 billion in housing bonds and Proposition 1C in 2006 which provided \$2.85 billion in housing bonds. However, nearly all of the bond funds from Propositions 46 and 1C have been allocated. In addition, redevelopment agencies were required to deposit 20% of their available revenue into a fund to increase, improve, and preserve a community's supply of affordable housing. However, to balance the 2011-12 State Budget, ABx1 26 was enacted which eliminated the redevelopment agencies. C.A.R. is often pressured for what it believes would be an appropriate permanent source of funding for affordable housing. C.A.R. does not have affirmative policy in this area but generally responds that it would not object to any source of funding that spreads the burden across society. Given that C.A.R. supported reducing the vote required for school construction bonds, should C.A.R. consider a similar move on affordable housing bonds? It is unlikely that smaller cities and counties would take advantage of such a vote reduction; however, larger metropolitan areas such as San Francisco, Los Angeles and San Diego may do so.

Should C.A.R. change its position on the vote threshold required to approve bonds to fund affordable housing? (See Policy Position Paper.)

### **B. UPDATES:**

#### **1. Commercial Investment**

Geoffrey Poulos, Issue Chair

**A. AB 1103 Regulations have been Suspended until January 2014** - Regulations implementing AB 1103 (Saldana, 2007) relating to building energy use benchmarking were adopted by the California Energy Commission (CEC) in December 2012, and the CEC was scheduled to begin enforcing the provisions July 1, 2013, for buildings larger than 50,000 square feet. Late last spring, the CEC delayed enforcement of AB 1103 until September 1, 2013, and later again delayed enforcement of the regulations until January 1, 2014, due to technical difficulties with the data transfer interface on the Energy Star Portfolio Manager. Beginning January 1, 2014, the CEC will enforce the benchmarking requirement on buildings 10,000 square feet or more, which will put enforcement of the regulations back on schedule on its phased in implementation schedule.

**B. AB 758 Regulation Development Timeline** - The California Energy Commission (CEC) released its Draft Action Plan for AB 758 (Skinner, 2009) implementation this summer relating to building energy efficiency. C.A.R. provided both written and verbal comments during the public workshops, which were held in San Francisco, Fresno and Los Angeles. The CEC will use a "glide path" to implementation that will incentivize and exhaust all voluntary measures for adoption of energy efficiency ratings, audits and upgrades in

advance of considering mandatory approaches. The CEC will seek to use effective public information, financing, technical assistance, and incentives to encourage voluntary compliance. It is anticipated that the Final Action Plan will be released this winter.

**C. REPORT ITEMS:**

**1. Transaction Tax**

Bob Hartman, Issue Chair

**A. SB 30 (Calderon) and AB 42 (Perea) Debt Forgiveness Income Tax** - The federal government enacted the Mortgage Debt Relief Act of 2007 creating mortgage debt forgiveness relieving borrowers from income tax liability on debt forgiven in a "short" sale. In late 2008 the federal government extended this relief through December 31, 2012. In 2008, California enacted and C.A.R. supported SB 1055 (Machado) which provided conformity with the federal statute for the 2007 and 2008 tax years and, in 2010, California enacted SB 401 (Wolk) which extended the income tax debt forgiveness until December 31, 2012. On December 31, 2012, Congress passed budget solutions to avoid the "fiscal cliff," which included an extension of the mortgage debt forgiveness sunset date to January 1, 2014. C.A.R. is sponsoring SB 30 and AB 42 to make conforming changes in California law retroactive to January 1, 2013. In the Senate Appropriations Committee, SB 30 was linked to SB 391 meaning that it cannot become law unless SB 391 is enacted. C.A.R. strongly opposes "linking" these two measures. SB 30 and AB 42 are "two year" bills and can be enacted next year.

**Position:** Sponsor

**Status:** SB 30 and AB 42 Assembly Appropriations Committee

**B. SB 391 (DeSaulnier) Document Recording Tax** - With the depletion of housing bond funds, the elimination of redevelopment resources for housing and the concern that housing bonds are not a sustainable form of funding with the electorate, the affordable housing community has been working on establishing a permanent funding source for affordable housing. SB 391 proposes to provide such funding by enactment of the California Homes and Jobs Act 2013, which would require a flat \$75 per document recording tax (on top of current recording fees) on every real estate instrument not part of a sales transaction. While C.A.R. has been and continues to be supportive of affordable housing, it is opposed to SB 391 because it believes that affordable housing must be paid for by all of California's citizens. SB 391 funds affordable housing by surcharging only real estate recordings, placing the responsibility for funding California's affordable housing and shelter needs on those recording documents on real property rather than on all taxpayers.

**Position:** Oppose

**Status:** Assembly Appropriations Committee

**C. AB 561 (Ting) Documentary Transfer Tax** - California's documentary transfer tax authorizes local governments to adopt an ordinance imposing a transfer tax, based on the value of the property transferred, on a deed, instrument or notice dealing with the sale or transfer of real property. AB 561 would change the definition of what constitutes a "transfer" to include situations in which the transfer of an "ownership interest" of a company also constitutes a transfer of that organization's real property, triggering the imposition of the documentary transfer tax. C.A.R. opposes AB 561 because it will create a new tax on commercial, industrial and residential rental properties as well as opening the door for enactment of a "split roll." AB 561 was pulled from the Assembly Revenue and Taxation Committee calendar by the author who has decided not to move the bill this year, making AB 561 a two-year bill.

**Position:** Oppose

**Status:** Assembly Revenue and Taxation Committee

**D. AB 905 (Ting) Private Transfer Tax** - This measure creates a private transfer tax to fund environmental improvements to a property. As introduced, AB 905 would allow current owners of a property (exempting residential 1-4) to enter into a binding contract that forces ALL future owners of the property to pay a transfer tax of as high as 2% of the purchase price of the property (e.g., \$20,000 for a property costing \$1 million). These contracts can be entered into in connection with the installation of equipment or improvements that promote increased energy, water or other natural resource efficiency for the property. Due to the unfair nature of such covenants to homebuyers C.A.R. unsuccessfully sponsored SB 670 (Correa) in 2007 to outlaw private transfer fees and, in March 2012, the Federal Housing Finance Agency (FHFA) restricted Fannie Mae and Freddie Mac's ability to invest in mortgages with such private transfer fees. C.A.R. opposes AB 905 because it forced a financial burden on future owners of a property with no oversight, no accountability and no limit on how long the tax can be imposed, even years after the improvement has been paid for or the useful life of the improvement has passed. C.A.R. also believes that this measure does not comply with FHFA's newly imposed regulations so such covenants would restrict financing on the encumbered property. The author of AB 905 took amendments at the beginning of May in an effort to fix some of the issues with the bill including a 50 year cap on the transfer tax and a subordination clause making the covenant lien subject to any mortgages against the property. Even with these amendments, C.A.R. maintains its opposition to the measure. Following Legislative Day opposition to the measure, the author made AB 905 a two-year bill and it will not move forward this year.

**Position:** Oppose

**Status:** Assembly Judiciary Committee

## **2. Government Finance**

Sue Walsh, Issue Chair

### **A. Fire Prevention Fee**

**1. AB 23 (Donnelly), AB 124 (Morrell) and SB 17 (Gaines) Repeal of Fire Prevention Fee** - In 2011, the legislature passed a measure requiring the State Board of Forestry and Fire Prevention to establish regulations instituting a fire prevention fee not to exceed \$150 on structures located in State Responsibility Areas. AB 23, AB 124 and SB 17 would repeal the fire prevention fee. C.A.R. is supporting these measures because homeowners who already pay a local fire prevention fee should not be forced to pay twice for fire prevention.

**Position:** Support

**Status:** AB 23 and AB 124 were held in the Assembly Appropriations Committee, and SB 17 is in the Senate Rules Committee

**2. SB 125 (Gaines) Exemption from Fire Prevention Fee** - In 2011, the legislature passed a measure requiring the State Board of Forestry and Fire Prevention to establish regulations instituting a fire prevention fee not to exceed \$150 on structures located in State Responsibility Areas. SB 125 would exempt property owners from paying a fee on habitable structures which are located within both a State Responsibility Fire Area and a local fire district. C.A.R. supports this measure because it keeps those homeowners already paying for local fire protection from being forced to pay twice for fire prevention.

**Position:** Support

**Status:** Failed passage in the Senate Natural Resources and Water Committee

**3. AB 468 (Chesbro) Disaster Management, Preparedness and Assistance Surcharge** - In 2011, the legislature passed a measure requiring the State Board of Forestry and Fire Prevention to establish regulations instituting a fire prevention fee not to exceed \$150 on structures located in State Responsibility Areas to supplement the State Responsibility Area Fire Prevention Fund. AB 468 would repeal the fire prevention fee and replace it with an insurance surcharge on every commercial and residential fire and multi-peril insurance policy issued after January 1, 2014. The surcharge, which will be deposited into the Disaster Management, Preparedness, and Assistance Fund, will be 4.8% of the residential insurance premium or the property exposure for commercial policies and will be utilized to fund emergency activities carried out by the Office of Emergency Services, the Department of Forestry and Fire Protection, and the Military Department. C.A.R. is opposed to AB 468 because it is inappropriate to establish a statewide surcharge to fund emergency activities given that not all homeowners face the same potential hazards; in other words, this is a tax not a fee.

**Position:** Oppose

**Status:** Assembly Natural Resources Committee

### **C. Infrastructure Financing Districts**

**1. AB 243 (Dickinson) Infrastructure Financing Districts** - Existing law authorizes the creation of an infrastructure financing district and the issuance of bonds to finance district projects upon the approval of two-thirds of the voters. AB 243 would, among other things, authorize the creation of such a district

and the issuance of bonds to finance it with only 55% voter approval. C.A.R. opposes this measure because C.A.R. believes that the creation of such districts and, thus, the expenditure of public funds should require a two-thirds vote.

**Position:** Oppose

**Status:** Assembly Floor Inactive File

**2. AB 690 (Campos) Jobs and Infrastructure Financing Districts** - Currently, the legislative body of a city or county is authorized to create an infrastructure financing district, adopt an infrastructure financing plan and issue bonds to finance improvements within the district upon approval of two-thirds of the voters. As introduced, AB 690 would change the infrastructure financing district provisions to allow for the creation of job and infrastructure financing districts and the issuance of bonds upon approval of 55% of the voters. Amendments to the measure instead allow for the creation of a job and education financing district and removed the vote requirement altogether, allowing local governments to create these districts without any voter input. C.A.R. opposes this measure because it believes that the individuals funding the operations of the district through payment of property taxes should have a say in whether it is created.

**Position:** Oppose

**Status:** Assembly Local Government Committee

**3. SB 33 (Wolk) Infrastructure Financing Districts** - Currently, the legislative body of a city or county is authorized to create an infrastructure financing district and to issue bonds to finance improvements within the district if two-thirds of the voters approve the plan. SB 33 would eliminate the voter approval requirement to establish an infrastructure financing district and issue bonds. C.A.R. is opposed to this measure because it would result in the property owners who would fund the district through property taxes losing their ability to vote on the establishment of such a district and the issuance of bonds.

**Position:** Oppose

**Status:** Assembly Floor Inactive File

**4. SB 628 (Beall) Infrastructure Financing Districts** - Under current law, local governments can form, upon the approval of two-thirds of the voters in the area, an infrastructure finance district and issue bonds with the express purpose of facilitating transit oriented development. SB 628 would eliminate the voter requirement for the creation of infrastructure financing districts and the issuance of bonds that will be used to finance these kinds of transit projects. C.A.R. is opposed to this measure because it would result in the individuals who would fund the operations of the district losing their ability to vote on the establishment of such a district and the issuance of bonds.

**Position:** Oppose

**Status:** Senate Floor Inactive File

#### **D. Vote Threshold Reduction Bills**

**1. AB 1188 (Bradford) Vote Threshold Requirement for Fire Protection Bonds** - Currently, the board of a fire protection district can issue bonds to fund the improvement of facilities or equipment which will be used by fire, emergency, or law enforcement personnel upon approval of two-thirds of the voters. AB 1188 would lower the vote threshold from two-thirds to 55%. C.A.R. is opposed to this measure because bonded indebtedness, which involves the expenditure of public funds, should only be approved by a two-thirds vote. Enactment of this measure is contingent upon the approval of ACA 3.

**Position:** Oppose

**Status:** Senate Governance and Finance Committee

**2. ACA 3 (Campos) Bonded Indebtedness Vote Threshold Reduction** – Under existing law bond indebtedness may be incurred by a city or county upon approval from two-thirds of the voters in the area. ACA 3 would reduce the vote required to approve bonded indebtedness to fund fire, emergency response, police or sheriff facilities or equipment from a two-thirds vote to 55 percent. C.A.R. is opposed to ACA 3 because bonded, indebtedness as an expenditure of public funds, should only be approved by a two-thirds vote.

**Position:** Oppose

**Status:** Assembly Local Government Committee

**3. ACA 8 (Blumenfield) Bonded Indebtedness Vote Threshold Reduction** – This measure would reduce the vote required to approve bonded indebtedness to fund public improvements and facilities or facilities used to provide public safety services, from a two-thirds vote to 55 percent. C.A.R. is opposed to ACA 8 because special taxes and bonded indebtedness should only be approved by a two-thirds vote. In a political maneuver ACA 8 was removed from its policy committee without a hearing and passed by the Assembly.

**Position:** Oppose

**Status:** Senate Governance and Finance

**4. SCA 3 (Leno) Parcel Tax Vote Threshold Reduction** - As introduced, SCA 3 would have reduced the vote threshold required for a school district, community college district or county office of education to impose a parcel tax from two-thirds to 55% of the voters in the area. C.A.R. opposed SCA 3 because parcel taxes are a “flat fee” per parcel that are assessed without regard to the value of the property and place an additional burden on the homeowners least able to afford the tax. SCA 3 was amended to instead pertain to an individual's right to access information on the meetings of public bodies and documents produced by public officials and agencies. While, C.A.R. is still monitoring this measure, it has removed its opposition to SCA 3.



**Position:** Watch

**Status:** To the Governor

**5. SCA 4 (Liu) and SCA 8 (Corbett) Transportation Project Special Tax Vote Threshold Reduction** - Under current law cities, counties and special districts can impose special taxes upon the approval of two-thirds of the areas voters. SCA 4 and SCA 8 propose to reduce the vote required to approve special taxes for local transportation projects to 55 percent. C.A.R. opposes these measures because special taxes should only be approved by a two-thirds vote.

**Position:** Oppose

**Status:** SCA 4 and SCA 8 are in the Senate Appropriations Committee

**6. SCA 7 (Wolk) Vote Threshold Reduction for Public Library Funding** - The California Constitution requires the imposition of a special tax by a city, county or special district and the incurring of debt to be approved by of two-thirds of the voters. SCA 7 proposes to lower the vote threshold for the imposition, extension or increase of a special tax by a local government to provide funding and to incur bonded indebtedness for public libraries to 55% of the voters. C.A.R. is opposed SCA 7 because bonded indebtedness should only be approved by a two-thirds vote.

**Position:** Oppose

**Status:** Senate Appropriations Committee

**7. SCA 9 (Corbett) Vote Threshold Reduction for Economic Development** - The California Constitution requires the imposition of a special tax by a city, county or special district to be approved by of two-thirds of the voters. SCA 9 would lower the vote threshold to 55% for special taxes used to fund community and economic development projects. C.A.R. opposes SCA 11 because special taxes should only be approved by a two-thirds vote.

**Position:** Oppose

**Status:** Senate Appropriations Committee

**8. SCA 11 (Hancock) Vote Threshold Reduction for Special Taxes** - Currently, local governments cannot impose a special tax unless it has been approved by two-thirds of the voters in the area. SCA 11 would lower the vote threshold for special taxes to fifty-five percent of the voters. C.A.R. opposes SCA 11 because special taxes should only be approved by a two-thirds vote.

**Position:** Oppose

**Status:** Senate Appropriations Committee

### **3. Commercial Investment**

Geoffrey Poulos, Issue Chair

**A. AB 59 (Bonta) Split Roll within School Districts** - The *Borikas v. Alameda Unified School District* decision states that parcel taxes imposed by a school district must be applied uniformly to all property (residential or commercial) within the district. AB 59 would void the *Borikas v. Alameda Unified School District* decision; clarifying that school districts can take into account property type when assessing taxes within their districts. C.A.R. is opposed to this measure as it would open the door to allowing school districts to create a "split roll" in which commercial properties are taxed differently from residential properties.

**Position:** Oppose

**Status:** Assembly Revenue and Taxation Committee

**B. AB 188 (Ammiano) Split Roll** – Existing law requires the reassessment of real property upon the sale or transfer of the property. AB 188, a re-introduction of AB 2492 of 2010 and AB 448 of 2011, proposes to instead trigger reassessment of a commercial property upon the sale or transfer of 100% of the corporation that owns the property in any single transaction. C.A.R. opposes AB 188 because it will create a burdensome reassessment rule on non-residential property and lead to a "split" tax roll accelerating the trend toward the "fiscalization" of land use decisions.

**Position:** Oppose

**Status:** Held in the Assembly Revenue and Taxation Committee

### 3. Property Tax

Sandi Adelson, Issue Chair

**A. AB 1172 (Bocanegra) Intercounty Transfer of Base Year Value** - Currently, Proposition 60 allows a homeowner 55 years of age or older to transfer, on a one-time basis, their property tax base year value to another home of equal or lesser value within the same county, or to a home located in a county that has adopted an ordinance permitting homeowners to transfer their property tax base year value to that county. Beginning January 1, 2014, AB 1172 would allow homeowners who are 65 years of age or older to transfer their property tax base year value to a dwelling located in a different county without the adoption of an ordinance. C.A.R. supports this measure because it will protect seniors who are often on a fixed and/or limited income from property tax increases that can occur when purchasing a new home.

**Position:** Support

**Status:** Assembly Local Government Committee

**B. AB 1322 (Patterson) Senior and Disabled Citizens Property Tax Deferment** – The Senior Citizens and Disabled Citizens Property Tax Postponement Law, which allowed the Controller to postpone payment of property taxes for qualified property owners who applied for the program, expired as of February 20,

2009. AB 1322 would repeal the sunset of the program and allow the Controller to accept and process applications for tax deferral beginning July 1, 2014. This measure would also create the Senior Citizens and Disabled Citizens Property Tax Postponement Fund which will be funded through the repaid tax postponement payments. Money from this fund will be appropriated to the Controller beginning on January 1, 2014, for the administration of the deferral program. C.A.R. supports this measure as it assists individuals who are on a fixed income, such as senior citizens or disabled individuals.

**Position:** Support

**Status:** Held in the Assembly Appropriations Committee

### **III. FEDERAL TAXATION ISSUES**

#### **A. Updates:**

##### **1. Government Finance**

Sue Walsh, Issue Chair

##### **A. Tax Reform**

Both the Senate and House tax writing committees have stated their intent to introduce tax reform proposals prior to the end of the year. While no specifics have been mentioned yet, it is suspected that real estate tax provisions will be reduced given their large "score" by the Congressional Budget Office. While both Democrats and Republicans agree that reform of the tax code is necessary, the biggest hurdle remaining is whether tax reform should be revenue neutral (supported by Republicans) or should raise revenue (supported by Democrats). So long as neither party is willing to compromise, tax reform may move through committees and possibly even floor votes, but nothing will reach the President's desk until a compromise on this issue is reached.

##### **B. Mortgage Debt Forgiveness**

On June 19, 2013, Senator Debbie Stabenow (D-MI) introduced S. 1187, "The Mortgage Forgiveness Tax Relief Act." This bill would extend for two years the current law provision that allows tax relief for homeowners when lenders forgive some portion of mortgage debt they owe, such as in a short sale. Federal tax law generally provides that when individuals are forgiven of debt, they have taxable income. However, a REALTOR-endorsed provision first enacted in 2007 provided relief to most taxpayers who found themselves with forgiven mortgage debt in connection with their principal residence. Unfortunately, the provision was only temporary and has expired and been extended several times. The most recent extension is scheduled to expire at the end of 2013. S. 1187 would extend the provision through the end of 2015.

##### **C. U.S. Treasury Decision on Same-Sex Marriage**

Following the U.S. Supreme Court's decision in June to overturn part of the Defense of Marriage Act, the U.S. Treasury and IRS recently issued rules to help clarify the tax treatment of married couples of the same sex. Specifically, the IRS will treat same-sex spouses in ALL U.S. states as a married couple for the purposes of their tax filings. So long as the couple holds a marriage license from a state that allows for same-sex marriage, that couple may reside in any state and still be treated as a married couple in terms of how the IRS applies the tax code. More than 200 provisions in the tax code and federal regulations reference marriage, affecting a range of financial matters such as estate planning and capital gains.

### **Commercial Investment**

Geoffrey Poulos

#### **A. Corporate Tax Reform**

While reform of the full tax code is unlikely, there seems to be more of a chance that Congress and the President can agree to broad changes within the corporate tax code. While discussions are still early, some tax provisions being discussed for changes include:

- Carried interest,
- Pass-through entities,
- Interest deductibility, and
- Depreciation.

#### **B. Commercial Loans**

On Thursday, June 13, Senators Mary Landrieu (D-LA) and James Risch (R-ID), Chairwoman and Ranking Member of the Senate Committee on Small Business, respectively, held a markup hearing of S.289, the "Commercial Real Estate and Economic Development (CREED) Act of 2013." This bill, introduced in February, would temporarily (for five years) allow commercial real estate projects to be eligible for the Small Business Administration's (SBA) 504/CDC refinance program. By expanding the types of projects eligible for the SBA 504/CDC refinance program, the CREED Act will alleviate some of the pressure from the nearly \$1.3 trillion of commercial real estate loans with balloon mortgages that will mature between 2013 and 2016, by allowing small businesses to refinance certain owner-occupied commercial buildings. NAR strongly supports the CREED Act.

#### **C. Lease Accounting**

On May 14, thirteen U.S. Senators sent a "Dear Colleague" letter to Ms. Leslie Seidman, Chairman of the Financial Accounting Standards Board (FASB), expressing concern that the FASB and the International Accounting Standards Board (IASB) were preparing to release the latest exposure draft on leases, but had still not released a cost-benefit analysis of the lease accounting proposal. A failure to provide such an analysis could cause unintended consequences that harm businesses, real estate, and the investors who

## Agenda

provide them with capital. The letter also detailed a series of questions related to the costs and benefits of the lease accounting proposal that they hope to be answered.

### **IV. OTHER BUSINESS**

### **V. ADJOURNMENT**