

EXHIBIT NO. 1

June 4, 2024

The Honorable Steve Glazer

Chair, Senate Revenue and Taxation Committee State Capitol, Room 407

Sacramento, CA 95814

RE: SB 1164 (Newman) Property taxation: new construction exclusion: dwelling units.

Notice of OPPOSE

Dear Chair Glazer,

The City of Carson along with the California State Association of Counties (CSAC), and the California Special Districts Association (CSDA) must respectfully oppose SB 1164 (Newman), which would negatively impact local government property tax revenue by exempting newly constructed accessory dwelling units (ADUs) from property tax assessment, if certain conditions are met, for fifteen years from the date of completion or until the property changes owners, whichever comes first.

Since 2018, there have been year over year increases in the number of newly permitted and constructed ADUs throughout the state. According to data from the UC Berkeley Center for Innovation, from 2018 to 2022, roughly 10,276 ADUs were built, while 28,547 units were permitted during that same period. It is clear there is a demand for ADUs with which California cannot keep pace.

This bill assumes property taxes are an impediment that disincentivize homeowners from building ADUs. However, the data show significant increases in the number of permits and constructed units in previous years, signaling that property tax adjustments have not exclusively halted or discouraged construction on new ADUs. Separate from property tax, the disproportionate share of accessory dwelling units that have been permitted, but not yet built, represents a supply and demand concern that is wholly divorced from property tax considerations.

Increasing the housing stock triggers demand for service delivery that local governments are responsible for providing. By creating a property tax assessment exemption on newly constructed ADUs, SB 1164 will deprive local governments of the revenues needed to provide and expand services that are of communitywide benefit. Property taxes generate a critical revenue source local governments depend on to provide services, including public safety, education, parks, libraries, public health, and fire protection.

While Cal Cities, CSAC, and CSDA support the intent to increase the production of housing across the state, local governments can ill-afford any additional erosion of local tax revenues in the short- or long-

term. The negative fiscal impacts of this measure would be exclusively borne by local governments. We applaud the intent of the measure but have ongoing concerns with proposals that erode the local government tax base.

For these reasons, the City of Carson respectfully opposes SB 1164. If you have any questions, do not hesitate to contact our City Manager's Office at 310-952-1731 or mgeorge@carsonca.gov.

Sincerely,

City of Carson City Council