



Legislation Text

File #: 2024-0439, Version: 1

Report to Mayor and City Council

Tuesday, June 04, 2024

Consent

SUBJECT:

CONSIDER TAKING A POSITION OF OPPOSITION AND SENDING A CORRESPONDING LETTER REGARDING SENATE BILL 1164, THE PROPERTY TAX EXCLUSION FOR NEWLY CONSTRUCTED ACCESSORY DWELLING UNITS (CITY COUNCIL)

I. SUMMARY

This item transmits a request for City Council to consider taking a position of opposition and sending a corresponding letter regarding Senate Bill 1164. The proposed letter is included as Exhibit 1 and the Bill Analysis is included as Exhibit 2.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, “full cash value” is defined as the assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value” or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred.

This bill would exclude from classification as “newly constructed” and “new construction” the construction of an accessory dwelling unit, as defined, if construction on the unit is completed on or after January 1, 2025, and before January 1, 2030, until one of specified events occurs. The bill would require the property owner to, among other things, notify the assessor that the property owner intends to claim the exclusion for an accessory dwelling unit and submit an affidavit stating that the owner shall make a good faith effort to ensure the unit will be used as residential housing for the duration the owner receives the exclusion.

According to a coalition of local government organizations, “SB 1164 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. 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 that California

cannot keep pace with. 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. 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.

II. RECOMMENDATION

TAKE a position of OPPOSITION for Senate Bill 1164 and DIRECT staff to transmit a corresponding letter (Exhibit 1).

III. ALTERNATIVES

TAKE another action the City Council deems appropriate and that is consistent with applicable laws.

IV. BACKGROUND

See the above Summary and the attached Bill Analysis as Exhibit 2 for further information.

V. FISCAL IMPACT

This item implies no fiscal impact to the City of Carson and seeks approval of the letter only.

VI. EXHIBITS

1. Proposed Letter of Support for Senate Bill 1164 (pgs. 3-4)
2. Bill Analysis (pgs. 5 - 11)

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