

April 23, 2024

The Honorable Steven Glazer
Chair, Senate Revenue and Taxation Committee
1021 O Street, Ste. 7520
Sacramento, CA 95814

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

Dear Chair Glazer,

The City of San Marcos 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 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.

Recent legislative efforts aimed at increasing the statewide housing stock, like SB 9 (Atkins, 2021), helped spur the construction of ADUs by allowing for by-right approval of an ADU in a single-family residential zone. However, 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 San Marcos supports 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 San Marcos respectfully opposes SB 4.

Sincerely,



Rebecca D. Jones
Mayor

cc: Catherine Hill, League of California Cities – San Diego and Imperial Counties