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May 23, 2024

The Honorable Jacqui Irwin
Chair, Assembly Revenue and Taxation Committee
1020 N Street, Room 167A
Sacramento, CA 95814

Re: SB 1164 (Newman) - Property tax exclusion for accessory dwelling units – OPPOSE

Dear Assembly Member Irwin,

I am writing on behalf of the Kern County Board of Supervisors to express our strong opposition to SB 1164 (Newman), which would reduce local government property tax revenue by exempting newly constructed accessory dwelling units (ADUs) from property tax assessment if certain conditions are met, for ten 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 disincentivizes homeowners from building ADUs. However, the data show significant increases in 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 wholly divorced from property tax considerations.

Recent legislative efforts to increase the statewide housing stock, like SB 9 (Atkins, 2021), helped spur the construction of ADUs by allowing by-right approval of an ADU in a single-family residential zone. However, increasing the housing stock triggers demand for service delivery, for which local governments are responsible. 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 of communitywide benefit. Property taxes generate a critical

revenue source local governments depend on to provide core community services, including public safety, education, parks, libraries, public health, and fire protection.

Kern County supports the intent to increase housing production across the state but has ongoing concerns with proposals that erode the local government tax base. Local governments can ill-afford any additional erosion of local tax revenues in the short or long term, and the negative fiscal impacts of this measure would be exclusively borne by local governments.

For these reasons, the Kern County Board of Supervisors is strongly opposed to this legislation and respectfully requests you vote **NO on SB 1164**.

Sincerely,



David Couch, Chairman
Kern County Board of Supervisors

cc: The Honorable Josh Newman, California State Senate
Honorable Members, Assembly Revenue and Taxation Committee
Honorable Members, Kern Legislative Delegation
David Ruff, Chief Consultant, Assembly Revenue and Taxation Committee
Julia King, Consultant, Assembly Republican Caucus
California State Association of Counties
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