

TOWNSEND

PUBLIC AFFAIRS

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MEMO

To: City of Cupertino
Legislative Review Committee

From: Townsend Public Affairs, Inc.

Date: June 19, 2020

Subject: Consider adopting a position on Senate Bill 1431 (Glazer) – Property taxation: reassessment: disaster relief

Summary

Senate Bill 1431 amends disaster reassessment law to require disaster reassessments for a state of emergency, and redefines damage to include the diminution in value resulting from any law, order, rule, or regulation of the state or any city, county, or other political subdivision providing tenant protections in response to the COVID-19 pandemic, including, but not limited to, eviction controls imposed under:

- Executive Order No. N-33-20, issued on March 19, 2020, which ordered all Californians to stay at their home or place of residence, and
- Executive Order No. N-37-20, issued on March 27, 2020, extended deadlines for 60 days to evict tenants for nonpayment of rent due to COVID-19.

The measure also defines “major misfortune or calamity” to include the COVID-19 pandemic, as defined in the Governor’ state of emergency declaration issued March 4, 2020, thereby allowing disaster reassessment for diminution in the value of property resulting from restricted access due to the COVID -19 pandemic.

The bill provides that it retroactively applies beginning April 5, 2020, and affected taxpayers can submit an application within 12 months of the effective date of the bill, or within the time specified in the county’s ordinance, whichever is later.

Status

SB 1385 was approved by the Senate Governance and Finance Committee on May 21st on a 4-3 vote. The measure is currently in the Senate Appropriations Committee and has been referred to the Suspense File. The measure is scheduled to be heard on June 18th.

Support

According to the author, “Senate Bill 1431 would expand the eligibility for disaster reassessment of multifamily properties affected by the COVID-19 pandemic. By expanding the eligibility, this bill would allow temporary mid-year property tax relief until a property recovers to its trended base year value. In response to the ongoing pandemic, state and local governments have enacted “stay-at-home” orders. While these orders have proven effective at flattening the curve here in

State Capitol Office • 925 L Street • Suite 1404 • Sacramento, CA 95814 • Phone (916) 447-4086 • Fax (916) 444-0383

Federal Office • 600 Pennsylvania SE • Suite 207 • Washington, DC 20003 • Phone (202) 546-8696 • Fax (202) 546-4555

Southern California Office • 1401 Dove Street • Suite 330 • Newport Beach, CA 92660 • Phone (949) 399-9050 • Fax (949) 476-8215

Central California Office • 744 P Street • Suite 308 • Fresno, CA 93721 • Phone (949) 399-9050 • Fax (949) 476-8215

Northern California Office • 300 Frank Ogawa Plaza • Suite 204 • Oakland, CA 94612 • Phone (510) 835-9050 • Fax (510) 835-9030

California, they have unfortunately led to many employees being laid off, raising concerns about the ability for tenants to pay their monthly rents. As a result, governments have instituted much-needed protections to renters in the form of anti-eviction ordinances. This relief, however, does not extend to multifamily property owners who are still responsible for mortgage payments, property taxes, insurance, maintenance, and utilities. This bill aims to alleviate multifamily property owners' financial stress, which, if left unaddressed, threatens to destabilize the housing market and reduce the number of affordable housing options.”

Supporters of SB 1431 include: California Alliance of Taxpayer Advocates, California Apartment Assn.

Opposition

Opponents argue that SB 1431 takes the extraordinary step of determining assessed value on certain properties based on governments' regulatory actions. In response to the COVID-19 pandemic, the Governor imposed eviction controls statewide by Executive Order, and encouraged cities and counties to protect renters through temporary eviction moratoria at the local level. This bill asks cities, counties, special districts, and schools to incur the financial cost of that protection. Under current law, income property owners have the opportunity to request a reassessment if the long-term effects of the COVID-19 emergency, rather than the short-term effects of an eviction moratorium, demonstrate a reduction in full cash value. The new procedure proposed by SB 1431 detracts from the public policy articulated by the Governor and further reduces local agencies' dramatically reduced revenues away from essential public services.

Opponents of SB 1431 include: California Assessors Assn, California State Assn. of Counties, California Special Districts Assn, California Tax Reform Assn, League of California Cities, Rural County Representatives of California, Urban Counties Caucus.

Potential Impact

Current law provides a well-established mechanism by which the value of a property is assessed, and under what conditions it can be reassessed. SB 1431 would establish a new process by which a property owner can request reassessment but does not provide clear direction for how that assessment should be determined. Additionally, cities are already reducing or eliminating core services in response to reduced revenues from the economic impact of the coronavirus pandemic. SB 1431 would result in a loss of stable revenue for cities, counties, and the state at a time when services are in highest demand.

Recommended Action

Adopt an oppose position for SB 1431 and authorize the Mayor to send letters to the state legislature.