



City of Encinitas City Council's Office

505 S. Vulcan Ave, Encinitas, CA 92024

760-633-2600

council@encinitasca.gov

www.encinitasca.gov

April 24, 2024

Tony Kranz
Mayor

The Honorable Steve Glazer
Chair, Senate Committee on Revenue and Taxation
1021 O Street, Suite 7520
Sacramento, CA 95814

RE: SB 1164 (Newman) Property taxation: New Construction Exclusion: Accessory Dwelling Units - Notice of Opposition

Dear Chair Glazer,

Allison Blackwell
Deputy Mayor

The City of Encinitas 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.

Bruce Ehlers
Council Member

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.

Kellie Shay Hinze
Council Member

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.

Joy Lyndes
Council Member

Encinitas has been a leader in simplifying the permitting process for adding ADUs and JADUs to existing homes. The city has award-winning permit ready plans for ADUs and JADUs to make the creation of this type of housing more cost effective for homeowners, and has been successful in spurring low impact, gentle density increases in single family neighborhoods. The increase in 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,

Pamela Antil
City Manager

SB 1164 (Newman) Property taxation: New Construction Exclusion: Accessory Dwelling Units - Notice
of Opposition
April 24, 2024
Page 2 of 2

including public safety, education, parks, libraries, public health, and fire protection.

The City of Encinitas 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, we respectfully oppose SB 1164. If you have any questions, do not hesitate to contact me at (760) 633-2618.

Sincerely,

A handwritten signature in blue ink that reads "A. J. Kranz". The signature is written in a cursive, flowing style.

Tony Kranz
Mayor
City of Encinitas