

June 1, 2020

The Honorable Anthony Portantino  
Chair, Senate Appropriations Committee  
State Capitol, Room 3086  
Sacramento, CA 95814

**RE: Senate Bill 1431 (Glazer) – Property taxation: reassessment: disaster relief  
As Amended on May 6, 2020 – OPPOSE  
Set for Hearing – June 8, 2020 – Senate Appropriations Committee**

Dear Senator Portantino,

The organizations listed below write to respectfully oppose SB 1431, by Senator Steve Glazer, which would require counties to send property tax refund checks to certain types of property owners to compensate them for the indirect effects of state and local tenant protections, even in cases where the specific property owner saw no drop in rental income.

Local agencies in California are responding to the COVID-19 crisis by using their own funds to undertake extraordinary efforts not only to respond to the health emergency directly, but also to assist individuals and businesses that have been affected by it indirectly. We have enjoyed a close partnership with the state in those efforts, which we appreciate and look forward to continuing.

SB 1431 would require county assessors to base property tax assessments on a property's temporary ability to produce income for its owner, instead of on the underlying value of the land and improvements. This is both legally suspect and bad policy. It is legally suspect, among other reasons, because the statute in question relies on the part of the California Constitution that specifically requires property to be "physically damaged or destroyed" to be reassessed mid-year, after the lien date (Article XIII, Section 15). Any reading of that constitutional phrase that categorizes state regulations on tenant protections as physical damage or destruction of property renders those words all but meaningless.

Regardless of its legality, requiring governments to compensate private businesses for the indirect effects of government regulations is a dangerous precedent that we strongly oppose. In the current case, the regulation is aimed at protecting public health and access to housing, but in future cases could aim to protect the environment or access to education or public safety or any other public good. Even worse, in this case, it would require the compensation to come from local agencies, even if the regulation in question was made by the state.

By focusing on theoretical diminution in value, SB 1431 would bizarrely require compensation even to property owners whose incomes were entirely unaffected by the regulations. As if to put a finer point on this, the author's office has indicated that they plan to amend the bill so that landlords who take advantage other relief, including the Senate's proposed tax credit plan, aren't eligible for SB 1431 refunds. Since those relief efforts are specifically targeted to property owners whose tenants have actually not paid, then the only landlords left for SB 1431 to benefit are the ones whose tenants

continued making rent payments and who were therefore unaffected by the regulations. We cannot comprehend a policy reason for requiring payments from local agencies hammered by COVID-19 to property owners who are financially unaffected.

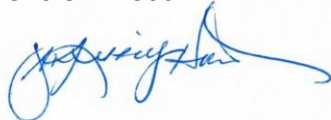
As the Legislature contemplates ways it can continue to assist Californians, we would urge policymakers to focus on using the state's own funds to do so, along with any available federal funds, and avoid responses like SB 1431, which would have negative, long-term impacts on the single most important funding source for counties, special districts, cities, and schools, as well as put a significant administrative burden on county assessors. We would also ask the Legislature to focus its limited resources for relief on those who reside in the state and who are most vulnerable, under-resourced, and least able to maintain their basic health and welfare during this emergency, either directly or through a continued partnership with local agencies, which already provide many state services to those individuals.

For the reasons stated above, our organizations are opposed to SB 1431.

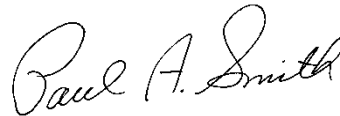
Respectfully,



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cc: Honorable Members and Staff, Senate Appropriations Committee  
The Honorable Steve Glazer, California State Senate