



# Council Agenda Report

To: Mayor Silverstein and the Honorable Members of the City Council

Prepared by: Mary Linden, Executive Assistant

Approved by: Steve McClary, City Manager

Date prepared: March 24, 2023 Meeting date: April 10, 2023

Subject: Assembly Bill (AB) 1500 – Property Taxation: Application of Base Year Value: Disaster Relief: SUPPORT

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**RECOMMENDED ACTION:** Authorize the Mayor to send a letter of support for AB 1500, which would extend the five-year time period for property tax exemption for homes that were substantially damaged or destroyed by the 2018 Woolsey Fire.

**FISCAL IMPACT:** There is no fiscal impact associated with the recommended action.

**WORK PLAN:** This item was not included in the Adopted Work Plan for Fiscal Year 2022-2023. This project is part of normal staff operations.

**DISCUSSION:** Existing law in California authorizes the owner of property substantially damaged or destroyed by a disaster to apply the base year value of that property to replacement property reconstructed on the same site of the damaged or destroyed property within five years after the disaster if the reconstructed property is comparable to the substantially damaged or destroyed property, determined as provided.

State Assemblymember Jacqui Irwin has introduced AB 1500 in the State legislature, which would extend the five-year time period described above by three years if the property was substantially damaged or destroyed by the Woolsey Fire or Camp Fire, which both occurred in November 2018. The bill would make these provisions applicable to the determination of base year values for the 2018–19 fiscal year and fiscal years thereafter. By imposing additional duties on local tax officials, the bill would create a state-mandated local program. The bill aligns with similar legislation, including SB 303 (Borgeas), which extended the rebuild time for those impacted by fires that occurred during COVID.

The bill is scheduled for a hearing of the Assembly Revenue and Tax Committee meeting on April 17. If approved by the City Council, the letter of support will be submitted prior to that hearing via the California Legislature Position Letter Portal, which ensures all members of the Committee, key legislators and their staff will be notified of the City's position. Should the City Council determine to take an official position to support the bill, the Council may want to consider authorizing a City official or officials to testify before the Committee on April 17.

ATTACHMENTS:

1. AB 1500 text
2. Draft letter of support for AB 1500

AMENDED IN ASSEMBLY MARCH 22, 2023

AMENDED IN ASSEMBLY MARCH 16, 2023

CALIFORNIA LEGISLATURE—2023–24 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1500**

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**Introduced by Assembly Member Irwin**  
*(Principal coauthor: Assembly Member Gallagher)*

February 17, 2023

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An act to amend Section 70.5 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1500, as amended, Irwin. Property taxation: application of base year value: disaster relief.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred. Existing law defines "newly constructed" and "new construction" to mean any addition to real property since the last lien date and any alteration of land or of any improvement since the last lien date that constitutes a major rehabilitation thereof or that converts the property to a different use. Existing law, where real property has been damaged or destroyed by misfortune or calamity, excludes from the definition of "newly constructed" and "new construction" any timely reconstruction of the real property, or portion thereof, where the property after reconstruction is substantially equivalent to the property prior to damage or destruction.

Existing law, pursuant to the authorization of the California Constitution, authorizes the transfer of the base year value of property that is substantially damaged or destroyed by a disaster, as declared by the Governor, to comparable replacement property within the same county that is acquired or newly constructed within 5 years after the disaster, as provided.

Existing law authorizes the owner of property substantially damaged or destroyed by a disaster, as declared by the Governor, to apply the base year value of that property to replacement property reconstructed on the same site of the damaged or destroyed property within 5 years after the disaster if the reconstructed property is comparable to the substantially damaged or destroyed property, determined as provided.

This bill would extend the 5-year time period described above by 3 years if the property was substantially damaged or destroyed by the 2018 Woolsey Fire *or by the 2018 Camp Fire* on or after November 1, 2018, but on or before November 30, 2018. The bill would make these provisions applicable to the determination of base year values for the 2018–19 fiscal year and fiscal years thereafter. By imposing additional duties on local tax officials, the bill would create a state-mandated local program.

This bill would make legislative findings and declarations as to the public purpose served by these provisions.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Existing law requires the state to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding those provisions, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 70.5 of the Revenue and Taxation Code  
2 is amended to read:

3 70.5. (a) Notwithstanding Section 70, and pursuant to Section  
4 2 of Article XIII A of the Constitution, the base year value of  
5 property that is substantially damaged or destroyed by a disaster,  
6 as declared by the Governor, may be applied to replacement  
7 property reconstructed on the site of the damaged or destroyed  
8 property within five years after the disaster as a replacement for  
9 the substantially damaged or destroyed property if that  
10 reconstructed property is comparable to the substantially damaged  
11 or destroyed property. A person who owns substantially damaged  
12 or destroyed property that receives property tax relief under this  
13 section shall not be eligible for property tax relief provided under  
14 Section 69.

15 (b) (1) The replacement base year value of the reconstructed  
16 property shall be determined in accordance with this section.

17 (2) The assessor shall use the following procedure in  
18 determining the appropriate base year value of the reconstructed  
19 property:

20 (A) If the full cash value of the reconstructed property does not  
21 exceed 120 percent of the full cash value of the property  
22 substantially damaged or destroyed, then the adjusted base year  
23 value of the property substantially damaged or destroyed shall  
24 apply to the reconstructed property as its base year value.

25 (B) If the full cash value of the reconstructed property exceeds  
26 120 percent of the full cash value of the property substantially  
27 damaged or destroyed, then the amount of the full cash value over  
28 120 percent of the full cash value of the property substantially  
29 damaged or destroyed shall be added to the adjusted base year  
30 value of the original property substantially damaged or destroyed.  
31 The sum of these amounts shall become the reconstructed  
32 property's base year value.

33 (C) If the full cash value of the reconstructed property is less  
34 than the adjusted base year value of the original property  
35 substantially damaged or destroyed, then that lower value shall  
36 become the reconstructed property's base year value.

37 (D) The full cash value of the property substantially damaged  
38 or destroyed shall be the amount of its full cash value immediately

1 prior to its substantial damage or destruction, as determined by  
2 the county assessor of the county in which the property is located.

3 (c) For purposes of this section:

4 (1) Property is substantially damaged or destroyed if the  
5 improvements sustain physical damage amounting to more than  
6 50 percent of the improvements' full cash value immediately prior  
7 to the disaster.

8 (2) Reconstructed property shall be considered comparable to  
9 the original property substantially damaged or destroyed if it is  
10 similar in size, utility, and function to the property which it  
11 replaces. For purposes of this paragraph:

12 (A) Property is similar in function if the reconstructed property  
13 is subject to similar governmental restrictions, such as zoning.

14 (B) (i) Both the size and utility of property are interrelated and  
15 associated with value. Property shall be considered similar in size  
16 and utility only to the extent that the reconstructed property is, or  
17 is intended to be, used in the same manner as the original property  
18 substantially damaged or destroyed and its full cash value does  
19 not exceed 120 percent of the full cash value of the original  
20 property substantially damaged or destroyed.

21 (ii) A reconstructed property or any portion of reconstructed  
22 property used or intended to be used for a purpose substantially  
23 different than the use made of the original property substantially  
24 damaged or destroyed shall to the extent of the dissimilar use be  
25 considered not similar in utility.

26 (iii) A reconstructed property or any portion of reconstructed  
27 property that satisfies the use requirement but has a full cash value  
28 that exceeds 120 percent of the full cash value of the original  
29 property substantially damaged or destroyed shall be considered,  
30 to the extent of the excess, not similar in utility and size.

31 (C) To the extent that reconstructed property or any portion of  
32 reconstructed property is not similar in function, size, and utility,  
33 the property or portion of that property shall be considered to be  
34 newly constructed.

35 (3) "Disaster" means a major misfortune or calamity in an area  
36 subsequently proclaimed by the Governor to be in a state of disaster  
37 as a result of that misfortune or calamity.

38 (d) Only the owner or owners of the property substantially  
39 damaged or destroyed, whether one or more individuals,  
40 partnerships, corporations, other legal entities, or a combination

1 thereof, shall be eligible to receive property tax relief under this  
2 section. Relief under this section shall be granted to an owner or  
3 owners of substantially damaged or destroyed property who have  
4 reconstructed that property.

5 (e) (1) Notwithstanding any law, the time period specified in  
6 subdivision (a) to apply the base year value of qualified property  
7 to replacement property reconstructed on the site of the damaged  
8 or destroyed property is extended by three years if the qualified  
9 property was substantially damaged or destroyed on or after  
10 November 1, 2018, but on or before November 30, 2018.

11 (2) This subdivision shall apply to the determination of base  
12 year values for the 2018–19 fiscal year and fiscal years thereafter.

13 (3) For purposes of this subdivision, “qualified property” means  
14 property that was substantially damaged or destroyed, as described  
15 in paragraph (1) of subdivision (c), by the 2018 Woolsey Fire  
16 *disaster or by the 2018 Camp Fire* disaster, as proclaimed by the  
17 Governor.

18 (f) This section shall apply to real property damaged or  
19 destroyed by misfortune or calamity on or after January 1, 2017.

20 SEC. 2. The Legislature finds and declares that Section 1 of  
21 this act, which amends Section 70.5 of the Revenue and Taxation  
22 Code, does not constitute a gift of public funds within the meaning  
23 of Section 6 of Article XVI of the California Constitution and  
24 serves the following public purpose:

25 To ensure that owners of real property that has been substantially  
26 damaged or destroyed in the 2018 Woolsey Fire *disaster or in the*  
27 *2018 Camp Fire* disaster, as declared by the Governor, are provided  
28 the full and fair opportunity to reconstruct on the site of the  
29 damaged or destroyed real property and to retain the property tax  
30 base year value of that property, an extension of the deadline in  
31 Section 70.5 of the Revenue and Taxation Code is necessary.

32 SEC. 3. If the Commission on State Mandates determines that  
33 this act contains costs mandated by the state, reimbursement to  
34 local agencies and school districts for those costs shall be made  
35 pursuant to Part 7 (commencing with Section 17500) of Division  
36 4 of Title 2 of the Government Code.

37 SEC. 4. Notwithstanding Section 2229 of the Revenue and  
38 Taxation Code, no appropriation is made by this act and the state

- 1 shall not reimburse any local agency for any property tax revenues
- 2 lost by it pursuant to this act.

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# City of Malibu

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March X, 2023

The Honorable Assemblymember Irwin  
Chair, Committee on Revenue and Taxation  
1021 O Street, Suite 6220  
Sacramento, CA 95814

RE: Assembly Bill (AB) 1500 (Irwin) – Property Taxation: Application of Base Year Value:  
Disaster Relief: SUPPORT

Dear Assemblymember Irwin,

The City of Malibu proudly supports AB 1500, which would extend the five-year time period to reconstruct homes that were substantially damaged or destroyed by the 2018 Woolsey Fire. We thank you for authoring this bill and for your leadership on this important issue.

Existing law authorizes the owner of property substantially damaged or destroyed by a disaster to apply the base year value of that property to replacement property reconstructed on the same site of the damaged or destroyed property within five years after the disaster. AB 1500 would extend this five-year timeline by three years, giving a full eight years for those homes impacted by the devastating 2018 Woolsey Fire.

Reconstructing a home or business property destroyed by a disaster such as a wildfire is difficult and time consuming: debris and dead trees must be cleared, building and other permits acquired, contractors and other construction workers hired, materials purchased, and construction completed. Disaster victims unaccustomed to completing these tasks are further burdened as each seeks to procure labor and materials in the same market, squeezing prices and causing construction delays. Additionally, due to the COVID-19 pandemic, owners of these homes were even further hampered in their ability to rebuild. The courts were less capable of processing the claims on liability for the fire and come to a settlement with Southern California Edison (SCE), delaying compensation to residents, many of whom were depending on that compensation to rebuild. Additionally, construction was materially hindered by the pandemic and supply chain shortages, leading to many not being able to rebuild within the five-year window.

AB 1500 will provide the needed extension for homeowners impacted by the Woolsey Fire to complete their rebuilds and maintain their base year property value. This aligns with similar legislation, including SB 303 (Borgeas), which extended the rebuild time for those impacted by fires that occurred during COVID.

The City of Malibu strongly supports AB 1500. We thank you and your staff for working with us to develop this legislation and look forward to working with the legislature to secure its passage.

Sincerely,