

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

May 25, 1993

(Executive Committee--Action)
To: Board of Directors (Special Committee on Legislation--Action)
From: General Manager
Subject: Senate Constitutional Amendment No. 4 (Thompson)

Report

Introduced December 22, 1992, as companion to Senate Bill No. 50 (SB 50), Senate Constitutional Amendment No. 4 (SCA 4) proposes to exempt any portion of new construction improvements to real property for the purpose of added water conservation efficiency from triggering reassessment for property tax purposes. An amendment to SCA 4, submitted April 13, 1993 by Senator Thompson and co-sponsored by Assembly Member Aerias, proposes the exemption apply only to conservation equipment used for agricultural purposes (see attachment).

Given the significant financial commitment that Metropolitan, its member agencies and subagencies and other urban water agencies throughout the State, including the private sector are making to implement the Urban Water Conservation Best Management Practices, there appears to be no logic or justification for limiting this significant benefit to agriculture only. The exemption should apply to conservation improvements, regardless of purpose of water use. Staff believes that new construction for water conservation improvements should not trigger reassessment for property tax purposes.

Board Committee Assignments

This letter is referred for action to:

The Executive Committee because it involves a legislative matter that may affect the District, pursuant to Administrative Code Section 2381(i); and

The Special Committee on Legislation because it involves a legislative matter that may affect the District, pursuant to Administrative Code Section 2581(a).

Recommendation

EXECUTIVE COMMITTEE AND SPECIAL COMMITTEE ON LEGISLATION FOR ACTION.

Support Senate Constitutional Amendment No. 4 if amended to read as originally proposed.


for General Manager

JPW:ajs

Attachment

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AMENDED IN SENATE APRIL 13, 1993

Senate Constitutional Amendment

No. 4

Introduced by Senator Thompson
(Coauthor: Assembly Member Areias)

December 22, 1992

Senate Constitutional Amendment No. 4—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending subdivision (a) of Section 2 of Article XIII A thereof, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SCA 4, as amended, Thompson. Property taxation: new construction: water conservation ~~devices~~ *equipment*.

Existing provisions of the California Constitution generally ~~limits~~ *limit* ad valorem property taxes on real property to 1% of the full cash value of that property. For purposes of the foregoing limitation, "full cash value" is defined as the value of the real property as shown on the 1975-76 tax bill or, thereafter, its appraised value when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. Existing provisions exclude certain constructions of, or additions to, real property from the term "newly constructed."

This measure would additionally exclude from the term "newly constructed" that portion of any improvement made to real property that consists of the installation of ~~drip or sprinkler irrigation systems of soil moisture measuring devices, or other~~ water conservation ~~devices~~ *equipment*, as defined by the Legislature, *for agricultural use*.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

1 Resolved by the Senate, the Assembly concurring, That
 2 the Legislature of the State of California at its 1993-94
 3 Regular Session commencing on the seventh day of
 4 December 1992, two-thirds of the members elected to
 5 each of the two houses of the Legislature voting therefor,
 6 hereby proposes to the people of the State of California
 7 that the Constitution of the State be amended by
 8 amending subdivision (a) of Section 2 of Article XIII A
 9 thereof, to read:

10 (a) The full cash value means the county assessor's
 11 valuation of real property as shown on the 1975-76 tax bill
 12 under "full cash value" or, thereafter, the appraised value
 13 of real property when purchased, newly constructed, or
 14 a change in ownership has occurred after the 1975
 15 assessment. All real property not already assessed up to
 16 the 1975-76 full cash value may be reassessed to reflect
 17 that valuation.

18 For purposes of this section, "newly constructed" does
 19 not include any of the following:

20 (1) Real property that is reconstructed after a disaster,
 21 as declared by the Governor, where the fair market value
 22 of the real property, as reconstructed, is comparable to its
 23 fair market value prior to the disaster.

24 (2) That portion of reconstruction or improvement to
 25 a structure, constructed of unreinforced masonry bearing
 26 wall construction, necessary to comply with any local
 27 ordinance relating to seismic safety during the first 15
 28 years following that reconstruction or improvement.

29 (3) That portion of any improvement to real property
 30 that consists of the installation of ~~drip or sprinkler~~
 31 ~~irrigation systems or soil moisture measuring devices, or~~
 32 ~~other water conservation devices~~ water conservation
 33 equipment, as defined by the Legislature, for
 34 agricultural use.

35 The Legislature may provide that under appropriate
 36 circumstances and pursuant to definitions and
 37 procedures established by the Legislature, any person
 38 over the age of 55 years who resides in property which is
 39 eligible for the homeowner's exemption under
 40 subdivision (k) of Section 3 of Article XIII and any

1 implementing legislation may transfer the base year
 2 value of the property entitled to exemption, with the
 3 adjustments authorized by subdivision (b), to any
 4 replacement dwelling of equal or lesser value located
 5 within the same county and purchased or newly
 6 constructed by that person as his or her principal
 7 residence within two years of the sale of the original
 8 property. For purposes of this section, "any person over
 9 the age of 55 years" includes a married couple one
 10 member of which is over the age of 55 years. For purposes
 11 of this section, "replacement dwelling" means a building,
 12 structure, or other shelter constituting a place of abode,
 13 whether real property or personal property, and any land
 14 on which it may be situated. For purposes of this section,
 15 a two-dwelling unit shall be considered as two separate
 16 single-family dwellings. This paragraph shall apply to any
 17 replacement dwelling which was purchased or newly
 18 constructed on or after November 5, 1986.

19 In addition, the Legislature may authorize each county
 20 board of supervisors, after consultation with the local
 21 affected agencies within the county's boundaries, to
 22 adopt an ordinance making the provisions of this
 23 subdivision relating to transfer of base year value also
 24 applicable to situations in which the replacement
 25 dwellings are located in that county and the original
 26 properties are located in another county within this state.
 27 For purposes of this paragraph, "local affected agency"
 28 means any city, special district, school district, or
 29 community college district which receives an annual
 30 property tax revenue allocation. This paragraph shall
 31 apply to any replacement dwelling which was purchased
 32 or newly constructed on or after the date the county
 33 adopted the provisions of this subdivision relating to
 34 transfer of base year value, but shall not apply to any
 35 replacement dwelling which was purchased or newly
 36 constructed before November 9, 1988.

37 The Legislature may extend the provisions of this
 38 subdivision relating to the transfer of base year values
 39 from original properties to replacement dwellings of
 40 homeowners over the age of 55 years to severely disabled

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SCA 4

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- 1 homeowners, but only with respect to those replacement
- 2 dwellings purchased or newly constructed on or after the
- 3 effective date of this paragraph.