

REPORT OF THE
CHIEF LEGISLATIVE ANALYST

DATE: June 4, 2025

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No.: 25-0002-S40
Assignment No.: 25-05-0414

SUBJECT: Report on AB 1253 (Schultz) which would ensure that for qualifying reconstructed properties that meet the 110% size standard, the adjusted base tax year assessment value of the property would apply to the rebuilt property

CLA RECOMMENDATION:

ADOPT the attached revised Resolution to include in the City's 2025-2026 State Legislative program support for legislation that would ensure that for qualifying reconstructed properties that meet the 110% size standard, the adjusted base year tax assessment value of the property would apply to the rebuilt property.

SUMMARY

As originally drafted, the attached Resolution (Park-Rodriguez), called for support of AB 1253 (Schultz), which would have ensured that for qualifying reconstructed properties that meet the 110% size standard, the adjusted base year tax assessment value of the property would apply to the rebuilt property.

The Resolution stated that California taxpayers rebuilding homes destroyed by the recent wildfires may be confused by differences between the standard established for simplifying permitting for rebuilding structures up to 110% of the original size (footprint and height) and the different "substantially equivalent" standard and the 120% of property value standards that are used in determining whether a property is reassessed for tax purposes. The Resolution states that AB 1253 would address this potential confusion by establishing that properties that meet the 110% size standard for permitting simplification will also qualify to retain their previous adjusted base year tax assessment value.

Subsequent to the introduction of the Resolution, AB 1253 was first amended in a way that would have significantly limited its impact, then moved to the State Assembly Committee on Appropriations suspense file, ensuring it will not move forward this year. Similar legislation could potentially be introduced in the next legislative session of the Assembly, however.

The attached revised Resolution calls for the inclusion in the City's 2025-2026 State Legislative Program support for legislation that would ensure that for qualifying reconstructed properties that meet the 110% size standard, the adjusted base year tax assessment value of the property would apply to the rebuilt property.

BACKGROUND

Current state law (Section 70 of the Revenue and Taxation Code) includes two major provisions related to the re-assessment of properties damaged or destroyed in a disaster:

First, it provides that, for a property that has been “substantially damaged or destroyed by a disaster,” property reconstructed as a replacement for the destroyed property can avoid re-assessment if the reconstruction is “timely” and it is “substantially equivalent to the property prior to damage or destruction.” (Section 70 (c), Revenue and Taxation Code).

Second, it provides that in case of substantial damage to or destruction of a property by a Governor-declared disaster, for properties reconstructed within 5 years,¹ the adjusted base year value of the damaged/destroyed property shall be retained “[i]f the full cash value of the reconstructed property does not exceed 120% of the full cash value of the property substantially damaged or destroyed”. (Section 70.5 (b), Revenue and Taxation Code).

Legal requirements related to permitting for rebuilding tie to an entirely different standard that is based on the size (not the value) of the rebuild. In order to support rebuilding after the January 2025 wildfires in the Los Angeles area, Governor Newsom issued Executive Order (EO) N-4-25, simplifying state environmental and coastal permitting requirements for buildings that are up to 110% of the footprint and height of what was destroyed by the fires. Similarly, on January 13, 2025, Los Angeles Mayor Karen Bass, in Emergency Executive Order No. 1, established simplified permitting requirements for projects that do not exceed 110% of the original building’s “square footage, height, and bulk existing immediately prior to the Wildfires.”

The Los Angeles County Assessor flagged these three different standards (“substantial equivalence,” 120% of cash value, and 110% of original size) as a potential source of confusion for property taxpayers, who may falsely assume that keeping their rebuild to a footprint of 110% of the original structure protects them from changes in their assessment.²

AB 1253 (Schultz), as originally drafted, would have addressed these conflicting standards by adding a provision to the California Revenue and Taxation Code to allow the assessor to align “substantial equivalence” with criteria established by state or local government actions. This provision would have allowed the LA County Assessor to consider a property reconstructed within 110% of the original footprint and height to be “substantially equivalent” to the previous property, and therefore not subject to re-assessment as new construction. The bill received support from the California Assessors’ Association. However, as it moved through the Assembly Committee process, it was first amended in a way that would have significantly weakened it, then placed in the Committee on Appropriations suspense file, effectively killing the bill. There is no public statement of the reason for this; however, staff analyses raised the following two issues:

1. **Potential to bypass the value test.** A staff report to the Assembly Committee on Revenue and Taxation (dated April 25, 2025), warned that “As currently drafted...this bill could be overly broad in the flexibility it provides,” and recommended that “To ensure savvy and

¹ SB 663 (proposed) and AB 245 (proposed) would amend Section 70.5 to allow an additional 3 years for reconstruction.

² <https://us11.campaign-archive.com/?u=3d79962a0e2ac6a48c94d04e8&id=80d7d2f494>

resourced property owners do not leverage this authorization to rebuild within the bounds of EO N-4-25, but well beyond the bounds of the existing value test, the Committee may wish to consider tying relief under this bill to the existing base year value transfer test after a Governor-proclaimed disaster.” A subsequent amendment made this change, tying the ability to waive re-assessment back to keeping the value of the rebuild to less than 120% of the pre-disaster value.

This amendment would have posed a significant threat to the effectiveness of the bill, since it reintroduced the problem of conflicting standards that the bill was meant to address. Furthermore, the value test leaves homeowners exposed to changes in property values that are outside their control. For example, the Case-Schiller Los Angeles Home Price Index shows an average increase in home prices over the past five years of over 30%.³ If this trend continues, a property owner whose rebuild takes three or four years could potentially be pushed over the value test threshold by home price trends alone, even if they rebuilt their previous home exactly as it was—leading to the intuitively unfair situation in which a property owner who had to rebuild faced a re-assessment not faced by their neighbor whose property survived the fire.

2. **Cost.** A separate analysis prepared by Appropriations Committee staff estimates that resulting property tax revenue loss will be an “unknown, but likely significant amount, in excess of \$300,000.” The analysis notes that the cost was difficult to quantify because the bill, as drafted, did not include any expiration timeline. The inclusion of an expiration timeline is something that could be considered in any re-introduced legislation.

Despite these concerns raised by Assembly staff, the fundamental issues underlying AB 1253 remain valid—both the value of ensuring the rules are clear for homeowners affected by the wildfire and the fairness considerations associated with ensuring that the need to rebuild a property destroyed by wildfire should not result in a property tax assessment increase. Because AB 1253 is no longer under consideration, this office instead recommends approving the attached revised Resolution of support for legislation that addresses these issues.

BILL STATUS

02/21/2025	Introduced
02/24/2025	Read first time
03/13/2025	Referred to Committee on Business and Professions
04/21/2025	From committee chair, with author's amendments: Amend, and re-refer to Com. on Business and Professions. Read second time and amended.
04/21/2025	Re-referred to Committee on Revenue and Taxation
05/01/2025	Recommendation from Committee to amend and re-refer to Committee on Appropriations. (Ayes 7. Noes 0.)
05/05/2025	Read second time and amended
05/06/2025	Re-referred to Committee on Appropriations
05/14/2025	In committee; hearing postponed by committee.
05/21/2025	In Committee: set, first hearing. Referred to APPR. Suspense file.

³ A 31.4% increase from March 1, 2020 – March 1, 2025. Source: <https://fred.stlouisfed.org/series/LXXRSA>

05/21/2025 Joint Rule 62(a), file notice suspended
05/23/2025 In committee: Held under submission

Louisa Lund

Louisa Lund
Analyst

Attachments:

1. Revised Resolution
2. Resolution (Park-Rodriguez)

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council; and

WHEREAS, on January 7, 2025, a wildfire and windstorm event unprecedented in scope wreaked destruction across Los Angeles, with the Pacific Palisades, Eaton Canyon, Hurst, and the Hughes Fires burning over 50,000 acres combined throughout the County of Los Angeles and causing loss of life, displaced families and businesses, and tens of billions of dollars in damages; and

WHEREAS, under the Governor's Executive Order N-4-25, state environmental and coastal permitting requirements have been simplified for buildings that are up to 110 percent of the footprint and height of what was destroyed by the fires; and

WHEREAS, City permitting requirements are streamlined to projects that are no more than 110% of the size of the buildings that were damaged or destroyed; and

WHEREAS, the existing state provisions relative to property tax assessment do not tie back to the 110% size standard, but instead provide that: 1) property reconstructed after damage will be considered "new construction" and subject to re-assessment if it is not "substantially equivalent to the damaged or destroyed property," (Section 70(c), Revenue and Taxation Code); and, 2) the assessed property value can be transferred to a newly purchased or newly constructed property valued at up to 120% of the value of the destroyed property (section 70.5(b), Revenue and Taxation Code); and

WHEREAS, these three separate standards (the 110% of property size standard, the "substantially equivalent" standard, and the 120% of property value standard) are likely to result in confusion among taxpayers trying to rebuild their destroyed properties; and

WHEREAS, to address this issue, AB 1253 (Schultz) was introduced to align the 110% expedited rebuild process with the "New Construction" assessment standards, and would have applied to properties damaged by the January 2025 wildfires in Los Angeles and Ventura Counties; and

WHEREAS, AB 1253 has recently been moved to the Assembly Committee on Appropriations suspense file, which means that it will not move forward this year, but the potential exists for a similar bill to be introduced in the next legislative session; and

WHEREAS, it remains important to provide clarity and consistency for property owners, allowing them to rebuild their homes without the fear of facing an unforeseen property tax increase;

NOW, THEREFORE, BE IT RESOLVED, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2025-2026 State Legislative Program SUPPORT for legislation that would ensure that for qualifying reconstructed properties that meet the 110% size standard, the adjusted base year tax assessment value of the property would apply to the rebuilt properties damaged by the January 2025 wildfires in Los Angeles and Ventura Counties.

RESOLUTION *Bo*

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council; and

WHEREAS, on January 7, 2025, a wildfire and windstorm event unprecedented in scope wreaked destruction across Los Angeles, with the Pacific Palisades, Eaton Canyon, Hurst, and the Hughes Fires burning over 50,000 acres combined throughout the County of Los Angeles and causing loss of life, displaced families and businesses, and tens of billions of dollars in damages; and

WHEREAS, under the Governor's Executive Order N-4-25, state environmental and coastal permitting requirements have been simplified for buildings that are up to 110 percent of the footprint and height of what was destroyed by the fires; and

WHEREAS, City permitting requirements are streamlined to projects that are no more than 110% of the size of the buildings that were damaged or destroyed; and

WHEREAS, the existing state provisions relative to property tax assessment do not tie back to the 110% size standard, but instead provide that: 1) property reconstructed after damage will be considered "new construction" and subject to re-assessment if it is not "substantially equivalent to the damaged or destroyed property," (Section 70(c)); and, 2) the assessed property value can be transferred to a newly purchased or newly constructed property valued at up to 120% of the value of the destroyed property; and

WHEREAS, these three separate standards (the 110% of property size standard, the "substantially equivalent" standard, and the 120% of property value standard) are likely to result in confusion among taxpayers trying to rebuild their destroyed properties; and

WHEREAS, to address this issue, AB 1253 (Schultz) would align the 110% expedited rebuild process with the "New Construction" assessment standards, and would apply to properties damaged by the January 2025 wildfires in Los Angeles and Ventura Counties; and

WHEREAS, the proposed legislative solution would provide that if the reconstructed property mirrors the size limits set by local permitting regulations and does not exceed 110% of the original size, the adjusted base year value of the damaged property would apply to the rebuild structure, preventing an unintended property tax increase; and

WHEREAS, this solution would provide clarity and consistency for property owners, allowing them to rebuild their homes without the fear of facing an unforeseen property tax increase;

NOW, THEREFORE, BE IT RESOLVED, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2025-2026 State Legislative Program SUPPORT for AB 1253 (Schultz), which would ensure that for qualifying reconstructed properties that meet the 110% size standard, the adjusted base year tax assessment value of the property would apply to the rebuilt property.

PRESENTED BY: *Traci Park*
TRACI PARK
Councilmember, 11th District

SECONDED BY: *Monica Rodriguez*

APR 29 2025

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