



456 West Olive Avenue
Sunnyvale, CA 94088-3707

408-730-7473
TDD/TYY 408-730-7501
sunnyvale.ca.gov

May 10, 2023

The Honorable Chris R. Holden
Chair, Assembly Appropriations Committee
Appropriations Committee
1021 O Street, Suite 8220
Sacramento, California 95814

**RE: AB 84 (Ward) Property tax: welfare exemption: affordable housing –
OPPOSE UNLESS AMENDED**

Larry Klein
Mayor

Dear Assembly Member Holden:

Omar Din
Vice Mayor

On behalf of the City of Sunnyvale, we regretfully must oppose AB 84 (Ward) unless amended, which would negatively impact local government property tax revenues by providing significant expansions of the “property tax welfare exemption.” Specifically, AB 84 allows land (including vacant land) to qualify for the exemption from the date restrictions are placed on the property, not when construction commences, expands the 140% Area Median Income (AMI) rule to cover all deed restricted affordable housing, and eliminates the statutory sunset date.

Russ Melton
Councilmember

Alysa Cisneros
Councilmember

Richard Mehlinger
Councilmember

The City of Sunnyvale supports continuing to expand affordable housing statewide and efforts to reduce the cost of developing affordable housing. While Sunnyvale finds the intent of AB 84 laudable, the bill fails to provide safeguards to ensure the exemption is not abused.

Murali Srinivasan
Councilmember

Linda Sell
Councilmember

For example, allowing vacant land to receive the welfare exemption from the date of deed restriction rather than when construction commences, with no time limitation, incentivizes “land banking.” This would result in the opposite of the bills intent, ultimately disincentivizing developers from beginning construction in a reasonable and timely manner.

Additionally, expanding the ability of all affordable housing properties (not just Low-Income Housing Tax Credit units) to receive the welfare exemption if a tenant’s income increases from 80 percent to 140 percent AMI is being done so without



legislative oversight. This is the very same oversight the Legislature deemed necessary when passing AB 1193 (Gloria, Chapter 756, Statutes of 2017), which imposed a 2027-28 fiscal year sunset date on the AMI rule expansion for Low-Income Housing Tax Credit units.

Sunnyvale continues to partner in both funding and streamlined land use planning efforts for all new deed restricted TCAC developments, however, we must consider sustainable property tax revenue aspects when factoring in all new developments during these times of economic fluctuation. The City continues to support existing legislation allowing the exemption at time of construction commencement, and several sites in Sunnyvale have been successful with this approach.

Based on existing City policy to oppose any legislation that reduces or erodes local revenues or local control (LAP – Planning and Management 7.0 B(3)) and the City policy to ensure local governments’ revenue sources are protected and predictable (LAP – Planning and Management 7.0 B(5)), we respectfully oppose unless amended AB 84. The bill’s risks unfortunately outweigh its benefits and will disproportionately impact local governments including school districts. The negative fiscal impacts of this bill will be exclusively borne by local governments, without a guarantee that conditions to develop affordable housing will improve. We applaud the intent of the bill but have ongoing concerns with proposals that erode the local government tax base without a backfill from the state unless amended to ensure the exemption begins at construction.

For these reasons, Sunnyvale opposes AB 84 (Ward) unless amended. Thank you for your consideration of our position. Please do not hesitate to contact me or Jenny Carloni, Housing Officer at jcarloni@sunnyvale.ca.gov, if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Larry Klein".

Larry Klein
Mayor

cc: The Honorable Gavin Newsom, Governor
The Honorable Christopher Ward, State Assembly
The Honorable Josh Becker, State Senate

The Honorable Aisha Wahab, State Senate
The Honorable Evan Low, State Assembly
City Council
Kent Steffens, City Manager
Teri Silva, Assistant City Manager
Trudi Ryan, Director of Community Development
Seth Miller, Regional Division Public Affairs Manager
cityletters@calcities.org