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AB-613 Property taxation: assessment: affordable commercial property. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 613

Introduced by Assembly Member Mark González

February 13, 2025

An act to amend Section 402.1 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 613, as amended, Mark González. Property taxation: assessment: affordable commercial property.

Existing law requires the county assessor to consider, when valuing real property for property taxation purposes, the effect of any enforceable restrictions to which the use of the land may be subjected, including, but not limited to, zoning, recorded contracts with governmental agencies, and various other restrictions imposed by governments.

This bill would add to the above-described enforceable restrictions certain renewable leases between a commercial community ownership entity, as defined, that owns the land and a ~~community-serving small business or~~ nonprofit, as defined. By expanding the duties of local tax officials, this bill would impose a state-mandated local program.

Existing law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill would include additional information required for any bill authorizing a new tax expenditure.

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.

This bill would take effect immediately as a tax levy.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. This act shall be known, and may be cited, as the Community-Owned Real Estate (CORE) Act.

SEC. 2. Section 402.1 of the Revenue and Taxation Code is amended to read:

402.1. (a) In the assessment of land, the assessor shall consider the effect upon value of any enforceable restrictions to which the use of the land may be subjected. These restrictions include, but are not limited to, all of the following:

(1) Zoning.

(2) Recorded contracts with governmental agencies other than those provided in Sections 422, 422.5, and 422.7.

(3) Permit authority of, and permits issued by, governmental agencies exercising land use powers concurrently with local governments, including the California Coastal Commission and regional coastal commissions, the San Francisco Bay Conservation and Development Commission, and the California Tahoe Regional Planning Agency.

(4) Development controls of a local government in accordance with any local coastal program certified pursuant to Division 20 (commencing with Section 30000) of the Public Resources Code.

(5) Development controls of a local government in accordance with a local protection program, or any component thereof, certified pursuant to Division 19 (commencing with Section 29000) of the Public Resources Code.

(6) Environmental constraints applied to the use of land pursuant to provisions of statutes.

(7) Hazardous waste land use restriction pursuant to Section 25226 of the Health and Safety Code.

(8) (A) A recorded conservation, trail, or scenic easement, as described in Section 815.1 of the Civil Code, that is granted in favor of a public agency, or in favor of a nonprofit corporation organized pursuant to Section 501(c)(3) of the Internal Revenue Code that has as its primary purpose the preservation, protection, or enhancement of land in its natural, scenic, historical, agricultural, forested, or open-space condition or use.

(B) A recorded greenway easement, as described in Section 816.52 of the Civil Code, that is granted in favor of a public agency, or in favor of a nonprofit corporation organized pursuant to Section 501(c)(3) of the Internal Revenue Code that has as its primary purpose the developing and preserving of greenways.

(9) A solar-use easement pursuant to Chapter 6.9 (commencing with Section 51190) of Part 1 of Division 1 of Title 5 of the Government Code.

(10) (A) A contract where the following apply:

(i) The contract is with a nonprofit corporation organized pursuant to Section 501(c)(3) of the Internal Revenue Code that has received a welfare exemption under Section 214.15 for properties intended to be sold to low-income families who participate in a special no-interest loan program.

(ii) The contract restricts the use of the land for at least 30 years to owner-occupied housing available at affordable housing cost in accordance with Section 50052.5 of the Health and Safety Code.

(iii) The contract includes a deed of trust on the property in favor of the nonprofit corporation to ensure compliance with the terms of the program, which has no value unless the owner fails to comply with the covenants and restrictions of the terms of the home sale.

(iv) The local housing authority or an equivalent agency, or, if none exists, the city attorney or county counsel, has made a finding that the long-term deed restrictions in the contract serve a public purpose.

(v) The contract is recorded and provided to the assessor.

(B) For real property subject to a contract that satisfies all the requirements of subparagraph (A), there shall be a rebuttable presumption that, at the time of purchase, an assessor shall not include the value of the deed of trust referenced in clause (iii) of subparagraph (A) of this paragraph.

(11) (A) A contract where the following apply:

(i) The contract is a renewable 99-year ground lease between a community land trust, or a wholly owned subsidiary of a community land trust that is solely directed and managed by the community land trust, and the qualified owner of an owner-occupied single-family dwelling or an owner-occupied unit in a multifamily dwelling.

(ii) The contract subjects a single-family dwelling or unit in a multifamily dwelling, and the land on which the dwelling or unit is situated that is leased to the qualified owner by a community land trust for the convenient occupation and use of that dwelling or unit, to affordability restrictions.

(iii) One of the following public agencies or officials has made a finding that the affordability restrictions in the contract serve the public interest to create and preserve the affordability of residential housing for persons and families of low or moderate income:

(I) The director of the local housing authority or equivalent agency.

(II) The county counsel.

(III) The director of a county housing department.

(IV) The city attorney.

(V) The director of a city housing department.

(iv) The contract is recorded and is provided to the assessor.

(B) (i) For purposes of this paragraph, the sale or resale price of the dwelling or unit is rebuttably presumed to include both the dwelling or unit and the leased land on which the dwelling or unit is situated. This presumption may be overcome if the assessor establishes by a preponderance of the evidence that all or a portion of the value of the leased land is not reflected in the sale or resale price of the dwelling or unit.

(ii) Notwithstanding any other law, corrections of base year values and declines in value owing to the restrictions on properties assessed under this subparagraph shall apply to all lien dates occurring after September 27, 2016.

(C) For purposes of this paragraph, all of the following definitions shall apply:

(i) "Affordability restrictions" mean that all of the following conditions are met:

(I) The dwelling or unit can only be sold or resold to a qualified owner to be occupied as a principal place of residence.

(II) The sale or resale price of the dwelling or unit is determined by a formula that ensures the dwelling or unit has a purchase price that is affordable to qualified owners.

(III) There is a purchase option for the dwelling or unit in favor of a community land trust intended to preserve the dwelling or unit as affordable to qualified owners.

(IV) The dwelling or unit is to remain affordable to qualified owners by a renewable 99-year ground lease.

(ii) "Community land trust" means a nonprofit corporation exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code that satisfies all of the following:

(I) Has as its primary purposes the creation and maintenance of permanently affordable single-family or multifamily residences.

(II) (ia) All dwellings and units located on the land owned by the nonprofit corporation or its wholly owned subsidiary are either sold to a qualified owner to be occupied as the qualified owner's primary residence or rented to persons and families of low or moderate income.

(ib) In the case of dwellings or units sold to qualified owners, if the community land trust, directly or through its wholly owned subsidiary, owns the land underneath the dwellings or units, then the land underneath the dwellings or units shall be leased to the qualified owner of a dwelling or unit on the land for the convenient occupation and use of that dwelling or unit for a renewable term of 99 years. In the case of dwellings or units that are part of a condominium, cooperative, or other common interest development under which the land is owned by a homeowners' association or person other than the community land trust, then the condominium unit or interest owned by the community land trust shall be sold to qualified owners for the convenient occupation and use of that dwelling or unit subject to affordability restrictions as that term is defined in this subdivision, except that in lieu of a ground lease there shall be an affordability covenant, of a duration of at least 99 years, recorded against the unit or interest.

(iii) "Limited equity housing cooperative" has the same meaning as that term is defined in Section 817 of the Civil Code.

(iv) "Persons and families of low or moderate income" has the same meaning as that term is defined in Section 50093 of the Health and Safety Code.

(v) "Qualified owner" means persons and families of low or moderate income, including persons and families of low or moderate income that own a dwelling or unit collectively as member occupants or resident shareholders of a limited equity housing cooperative.

(12) (A) A contract where the following apply:

(i) The contract is a renewable lease, for a term of three years or more, between a commercial community ownership entity that owns the land and a ~~community-serving small business or~~ nonprofit.

(ii) The contract subjects the commercial unit that is leased to the ~~community-serving small business or~~ nonprofit to affordability restrictions.

(iii) At least 70 percent of the commercial square footage of the property that is owned by the commercial community ownership entity, excluding areas occupied by the commercial community ownership entity, is leased to ~~community-serving small businesses or~~ nonprofits and subject to affordability restrictions.

(iv) The contract is recorded and provided to the assessor.

(B) The determination of whether the lease meets the requirements described in clauses (i) to (iii), inclusive, of subparagraph (A) shall be made by one of the following:

(i) The county counsel.

(ii) The director of the county economic development department or equivalent agency.

(iii) The city attorney.

(iv) The director of the city economic development department or equivalent agency.

(C) For purposes of this paragraph, the following definitions shall apply:

(i) "Affordability restrictions" mean terms that require the commercial unit to be leased at a rent that is less than the fair market value for a similar property and that has been found to serve the public interest to create and preserve the affordability of ~~commercial~~ units for ~~community-serving small businesses and~~ nonprofits.

(ii) "Commercial community ownership entity" means an entity that is a nonprofit corporation exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code, a limited partnership in which the managing general partner is a nonprofit corporation exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code, or a limited liability company wholly owned by a nonprofit corporation exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The entity shall also meet either of the following requirements:

(I) Has as one of its primary purposes the creation and maintenance of ~~commercial~~ property for ~~low-income entrepreneurs, small businesses, or~~ nonprofits.

(II) Has received a welfare exemption pursuant to Section 214 for providing housing to low-income households and leases ~~commercial~~ units *to nonprofits* on the same property.

(iii) ~~"Community-serving small business or nonprofit"~~ *"Nonprofit"* means a ~~microenterprise as defined in subdivision (a) of Section 18000 of the Business and Professions Code, a restaurant with fewer than 10 employees, or a~~ nonprofit

organization with fewer than 20 employees.

(D) For the purpose of complying with Section 41 as it pertains to the tax expenditure allowed pursuant to this paragraph, the Legislature finds and declares the following:

(i) The goal, purpose, and objective of the act adding this paragraph is to support the availability of ~~commercial~~ property for community-based ~~businesses~~ *nonprofits*.

(ii) The performance indicators for the Legislature to use when measuring whether the act meets its goal, purpose, and objective shall be the amount of additional assessed value exempted and the number and type of taxpayers granted this exemption.

(iii) (I) To assist the Legislature in determining whether the assessment exemption allowed by this paragraph fulfill the goal, purpose, and objective as described in clause (i), the State Board of Equalization shall, to the extent data is available from county assessors, annually collect and report to the Legislature, pursuant to subclause (II), data from county assessors to quantify the additional amount of assessed value exempted and the number and type of taxpayers granted this exemption.

(II) On or before June 1, 2027, and every June 1 thereafter, the State Board of Equalization shall report this information to the Legislature.

(III) A report submitted pursuant to subclause (II) shall be submitted in compliance with Section 9795 of the Government Code.

(b) There is a rebuttable presumption that restrictions will not be removed or substantially modified in the predictable future and that they will substantially equate the value of the land to the value attributable to the legally permissible use or uses.

(c) Grounds for rebutting the presumption may include, but are not necessarily limited to, the past history of like use restrictions in the jurisdiction in question and the similarity of sales prices for restricted and unrestricted land. The possible expiration of a restriction at a time certain shall not be conclusive evidence of the future removal or modification of the restriction unless there is no opportunity or likelihood of the continuation or renewal of the restriction, or unless a necessary party to the restriction has indicated an intent to permit its expiration at that time.

(d) In assessing land with respect to which the presumption is unrebutted, the assessor shall not consider sales of otherwise comparable land not similarly restricted as to use as indicative of value of land under restriction, unless the restrictions have a demonstrably minimal effect upon value.

(e) In assessing land under an enforceable use restriction wherein the presumption of no predictable removal or substantial modification of the restriction has been rebutted, but where the restriction nevertheless retains some future life and has some effect on present value, the assessor may consider, in addition to all other legally permissible information, representative sales of comparable lands that are not under restriction but upon which natural limitations have substantially the same effect as restrictions.

(f) For the purposes of this section the following definitions apply:

(1) "Comparable lands" are lands that are similar to the land being valued in respect to legally permissible uses and physical attributes.

(2) "Representative sales information" is information from sales of a sufficient number of comparable lands to give an accurate indication of the full cash value of the land being valued.

(g) It is hereby declared that the purpose and intent of the Legislature in enacting this section is to provide for a method of determining whether a sufficient amount of representative sales information is available for land under use restriction to ensure the accurate assessment of that land. It is also hereby declared that the further purpose and intent of the Legislature in enacting this section and Section 1630 is to avoid an assessment policy which, in the absence of special circumstances, considers uses for land that legally are not available to the owner and not contemplated by government, and that these sections are necessary to implement the public policy of encouraging and maintaining effective land use planning. This statute shall not be construed as requiring the assessment of any land at a value less than as required by Section 401 or as prohibiting the use of representative comparable sales information on land under similar restrictions when this information is available.

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

SEC. 4. Notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any property tax revenues lost by it pursuant to this act.

SEC. 5. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.