



California Property Tax Hot Topics

Sewer Service Fee Rebate Claims

Sewer Service Fee

All property owners in California are required to pay a sewer service fee, an extra charge for the collection, treatment, recycling and/or disposal of a property's wastewater and sewage. While the fee is included as a separate line item to the annual property tax bill, it is not based on the valuation of a commercial property, but rather its sewage usage. For most offices, hotels and retail properties, **this annual fee can total more than \$100,000.**

Savings Opportunity

When commercial properties experience extended periods of low occupancy or outright vacancy, actual water consumption dips below the historical average, creating a savings opportunity for property owners to challenge the accuracy of the fee. A property owner may submit a rebate claim application, along with supporting documentation, to the sanitation department to request a water efficiency review. The following property types often yield the highest savings returns:

- Hospitality
- Office
- Retail

Recent Success

Newmark's Property Tax Group recently completed successful rebate claims for a commercial real estate asset manager that owns and operates two hotels near Disneyland Resort in Anaheim, California. The dramatic business slowdown caused by COVID-19 provided a significant savings opportunity. Newmark's protest claims covered both 2019 and 2020 tax years and resulted in more than \$90,000 in refund checks issued to the client.

Fee Calculation

To calculate the sewer service fee, each jurisdiction utilizes its own pre-determined formulas incorporating multiple components to measure a property's individual liability. The primary driver of this calculation is the property's water consumption (actual or estimated), typically provided in hundreds of cubic feet per day. The overall rates can vary based on asset class and current use of the property. Most often, jurisdictions rely on historic water consumption averages – instead of actual water consumption – and apply those estimates across the board.

Rebate Claims Application Deadlines

- Orange County: October 31, 2022
- Los Angeles County: June 30, 2022

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