



City of Carson

Report to Mayor and City Council

July 15, 2014
New Business Consent

SUBJECT: CONSIDER RESOLUTION NO. 14-063 SUPPORTING THE MODIFICATION OF PROPOSITION 13 (PEOPLE'S INITIATIVE TO LIMIT PROPERTY TAXATION) AS IT RELATES TO COMMERCIAL PROPERTY TAX

Nelson Hernandez
Submitted by Nelson Hernandez
City Manager

Nelson Hernandez
Approved by Nelson Hernandez
City Manager

I. SUMMARY

This item is on at the request of Mayor Dear.

The City Council is asked to consider supporting Resolution No. 14-063 which supports a change in Proposition 13, the People Initiative to Limit Property Taxation. The change would require non-residential commercial properties to be reassessed regularly while maintaining Proposition 13 protections for residential property and small business owners. Also, it would remove the loophole allowing commercial property owners to avoid paying higher taxes by owning less than 50% of a property (Exhibit No. 1).

II. RECOMMENDATION

TAKE the following actions:

1. WAIVE further reading and ADOPT Resolution No. 14-063, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, SUPPORTING THE MODIFICATION OF PROPOSITION 13 (PEOPLE'S INITIATIVE TO LIMIT PROPERTY TAXATION) AS IT RELATES TO COMMERCIAL PROPERTY TAX"
2. DIRECT staff to transmit an executed copy of the resolution to Governor Jerry Brown, State Senators Ted Lieu, Roderick Wright and Assemblymember Isadore Hall, III.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

A Bay-area grassroots community organization known as, Evolve, is promoting non-residential commercial tax reform. They have approached a number of cities and school districts for support (Exhibit No. 2). Their position is that Proposition 13 is unfair because it allows commercial property owners to avoid paying their fair share and has shifted the tax burden to the residential property and away from business, which impacts everyday homeowners and working families.

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Proposition 13 was a 1978 ballot measure championed by anti-tax activists. It strictly limits property reassessment to changes of ownership, and capped annual increases in assessed value at 2%. These restrictions were meant to protect residential property owners at a time when home values in California were increasing rapidly. These same protections apply to commercial property. Since commercial properties rarely change ownership, their taxes rarely go up. For the last 35 years this has led to an increasing tax burden on homeowners. Proposition 13 was originally designed to protect homeowners. However, it has actually benefited large commercial property owners the most.

Additionally, large corporations often exploit loopholes in Proposition 13. One of the more egregious examples is that commercial property owners deliberately split up the purchase of a property among several parties in order to keep their ownership shares under 50%. By ensuring no one person or entity owns more than 50% of a property, no property tax reassessment is triggered, and they are allowed to keep old property tax rates. This is not a privilege extended to homeowners thus triggering a property tax reassessment every time a home is purchased.

Representatives from Evolve have approached the Mayor and requested the City Council pass a resolution supporting a change in the law that would require non-residential commercial properties to be reassessed regularly while maintaining Proposition 13 protections for residential property and small business owners. Also, it would remove the loophole allowing commercial property owners to avoid paying higher taxes by owning less than 50% of a property. This change would affect commercial property owners (not occupants) earning \$2.5 million per year or more. The rates of reassessment would be decided at the County level.

Lastly, Evolve representatives will be approaching our State Assembly and Senate elected officials encouraging them to support placing a proposition on the 2016 ballot modifying Proposition 13.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. Resolution No. 14-063. (pgs. 4-5)
2. List of Support Resolutions adopted by various cities and organizations. (pgs. 6-7)

Prepared by: Lisa Berglund, Principal Administrative Analyst

Document 14

TO: Rev05-07-2014

Reviewed by:

July 15, 2014

City Clerk	City Treasurer
Administrative Services	Public Works
Community Development	Community Services

Action taken by City Council

Date_____ Action_____

RESOLUTION NO. 14-063

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CARSON, CALIFORNIA, SUPPORTING THE MODIFICATION
OF PROPOSITION 13 (PEOPLE'S INITIATIVE TO LIMIT
PROPERTY TAXATION) AS IT RELATES TO
COMMERCIAL PROPERTY TAX

WHEREAS, Proposition 13, passed in 1978, is unfair in that it allows commercial property owners to avoid paying their fair share and has shifted the tax burden to residential property owners and away from business, including everyday homeowners and working families; and

WHEREAS, the state of California continues to face chronic budget crises in large part because Proposition 13 has forced the state to rely on more volatile revenue sources than the property tax, like income taxes and sales taxes paid by working families that move in tandem with economic cycles, causing deficits and requiring cuts to vital services that grow our economy and thereby worsening economic downturns; and

WHEREAS, regularly reassessing non-residential property would, according to an analysis of data provided by the California Board of Equalization, generate at least \$6 billion in additional revenue for California, and shift the tax burden from homeowners and working families to corporations and commercial landholders; and

THEREFORE BE IT RESOLVED that the Carson City Council supports commercial property tax reform that will require non-residential commercial properties to be reassessed regularly while maintaining Proposition 13 protections for residential property and small business owners; and

THEREFORE BE IT RESOLVED that the Carson City Council will communicate this position to local elected officials.

EXHIBIT NO. 01

[MORE]



PASSED, APPROVED and ADOPTED this 15th day of July, 2014

Mayor Jim Dear

ATTEST:

City Clerk Donesia L. Gause, CMC

APPROVED AS TO FORM:

City Attorney





Passed Resolutions

School Districts

- Alameda Unified (April 8, 2014)
- Albany Unified (August 8, 2013)
- Alhambra Unified (October 20, 2013)
- Arcata School District (January 13, 2014)
- Baldwin Park Unified (December 10, 2013)
- Bassett Unified (December 12, 2013)
- Belmont-Redwood Shores School District (April 17, 2014)
- Berkeley Unified (June 6, 2013)
- Berryessa Union (September 10, 2013)
- Big Sur Unified (February 3, 2014)
- Bonny Doon (November 13, 2013)
- Borrego Springs Unified (January 22, 2014)
- Brentwood Union (August 14, 2013)
- Burlingame (September 10, 2013)
- Campbell Union High School (January 16, 2014)
- Canyon Elementary (July 9, 2013)
- Carmel Unified (November 11, 2013)
- Coast Community College District (November 20, 2013)
- East Side Union High School (August 22, 2013)
- East Whittier City (November 12, 2013)
- El Monte Union High School (January 8, 2014)
- Eureka City School District (January 17, 2014)
- Franklin-McKinley (San Jose) (October 22, 2013)
- Fremont Unified (September 25, 2013)
- Garfield School District (January 8, 2014)
- Garvey School District (March 13, 2014)
- Gilroy Unified (March 6, 2014)
- Hayward Unified School District (February 12, 2014)
- Lafayette School District (June 25, 2014)
- Lagunita School District (March 25, 2014)
- Livermore Valley Joint Unified (September 3, 2013)
- Lynwood Unified (November 12, 2013)
- Los Altos School District (March 10, 2014)
- Marin Community College District (November 19, 2013)
- Meadows Union (December 10, 2013)
- Menlo Park City Schools (September 17, 2013)
- Moorpark Unified (May 15, 2014)
- Novato Unified (December 17, 2013)
- Oakland Unified (October 9, 2013)
- Peralta Community College District (February 25, 2014)
- Perris Union High School (March 19, 2014)
- Piedmont Unified (June 26, 2013)
- Pittsburg Unified (August 28, 2013)



- Pleasanton Unified (September 24, 2013)
- Portola Valley (August 21, 2013)
- Redwood City School District (March 12, 2014)
- Rio Hondo Community College (June 11, 2014)
- Salinas City Elementary School District (December 9, 2013)
- San Diego Unified (November 19, 2013)
- San Francisco Unified (October 8, 2013)
- San Gabriel Unified (March 25, 2014)
- San Leandro Unified (March 11, 2014)
- Santa Monica Unified (November 7, 2013)
- Saratoga Union School District (June 24, 2014)
- Solana Beach School District (March 13, 2014)
- Solano Community College District (May 21, 2014)
- Solvang School District (December 10, 2013)
- South San Francisco Unified (January 16, 2014)
- Sunnyvale School District (February 6, 2014)
- Walnut Creek (September 9, 2013)
- West Contra Costa Unified (October 2, 2013)
- West Sonoma County Union High School (September 11, 2013)
- Willow Grove Union (December 9, 2013)
- Wiseburn School District (March 13, 2014)

City Councils

- Albany (October 21, 2013)
- Berkeley (December 3, 2013)
- Brisbane (March 17, 2014)
- Emeryville (February 4, 2014)
- Fairfax (January 15, 2014)
- Oakland (March 4, 2014)
- Palo Alto (May 13, 2014)
- Richmond (May 21, 2013)
- San Francisco (June 3, 2014)
- San Leandro (March 14, 2014)
- Santa Monica (May 14, 2013)
- Sebastopol (May 6, 2014)

Other

- Contra Costa Central Labor Council (April 16, 2014)

