



City of San Leandro

Meeting Date: March 17, 2014

Staff Report

File Number: 14-086

Agenda Section: CONSENT CALENDAR

Agenda Number: 8.F.

TO: City Council

FROM: Chris Zapata
City Manager

BY: City Council

FINANCE REVIEW: Not Applicable

TITLE: Staff Report for Resolution Supporting Efforts to Reform Proposition 13

SUMMARY AND RECOMMENDATIONS

Per direction provided at the February 18, 2014 Council meeting, staff presents for Council consideration the attached resolution supporting efforts to reform Proposition 13 and provide direction to staff.

BACKGROUND

At the February 18, 2014 Council meeting, representatives from [Evolve](http://www.evolve-ca.org/city_councils?utm_campaign=official_1&utm_medium=email&utm_source=evolve) <http://www.evolve-ca.org/city_councils?utm_campaign=official_1&utm_medium=email&utm_source=evolve> requested during public comments that the City Council consider adopting a resolution supporting efforts to seek voter authorization for changes to the property tax limitations imposed by Proposition 13. Specifically, this organization is seeking to allow for the regular reassessment of commercially-zoned properties at market rates, rather than limiting those assessments based on the restrictions imposed by Proposition 13, which was adopted by voters in 1978. Organizers of this effort assert that such a “split roll” also would exempt small businesses. Their stated intention is to develop a coalition of organizations supporting these efforts and subsequently circulate for signatures a draft ballot initiative envisioned for the 2016 statewide ballot. The specific details of this proposed initiative and draft ballot language have not yet been developed.

According to information presented by proponents of this effort, before Proposition 13 passed, 40% of local property tax revenue came from non-residential commercial property. Today, commercial property accounts for 28% of California's property tax revenue, while home and apartment owners account for 72% of the statewide property taxes. As such, proponents argue that this reform effort will serve to rebalance the property tax burden.

However, opponents of these efforts argue that the longstanding commercial property tax gap is being rapidly reduced by natural turnover of properties in the market. Additionally, although

the proposed draft resolution indicates that “small businesses” would be exempted from these reforms, specific ballot language has not yet been developed, so it is unclear what threshold would be used to determine what qualifies as a small business. Lastly, Proposition 13 is commonly cited as a “third-rail” political issue in California, and efforts to amend this landmark measure inevitably will draw public controversy and heated debate.

To staff’s knowledge, the League of California Cities has not taken a position on these efforts .

Fiscal Impacts

There are no direct fiscal effects associated with adoption of this draft resolution , although the proposed changes to Proposition 13 property tax limitations envisioned by this resolution could have broad ramifications for public sector finance statewide.

PREPARED BY: Eric Engelbart, Assistant to the City Manager, City Manager’s Office



City of San Leandro

Meeting Date: March 17, 2014

Resolution - Council

File Number: 14-078

Agenda Section: CONSENT CALENDAR

Agenda Number:

TO: City Council

FROM: Chris Zapata
City Manager

BY: City Council

FINANCE REVIEW: Not Applicable

TITLE: RESOLUTION Supporting Efforts to Reform Proposition 13 (supports efforts to seek voter authorization for changes to the property tax limitations imposed by Proposition 13 approved by voters in 1978)

WHEREAS, Proposition 13, passed in 1978, creates disparities by allowing commercial property owners to avoid paying their fair share of property taxes, thereby shifting the tax burden to residential property, including everyday homeowners and working families; and

WHEREAS, the state of California continues to face ongoing budgetary challenges. Further compounding these challenges is the fact that Proposition 13 has forced the State to rely heavily upon more volatile revenue sources than the property tax, including income taxes and sales taxes that more directly impact working families. These taxes move in tandem with economic cycles, causing deficits and requiring cuts to vital services that grow our economy, 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, renters, and working families to corporations and commercial landholders.

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

THEREFORE, BE IT FURTHER RESOLVED that the San Leandro City Council will communicate this position to local elected officials.