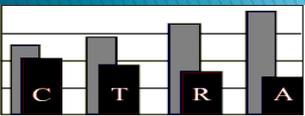
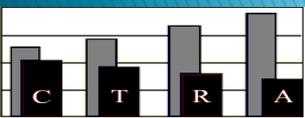
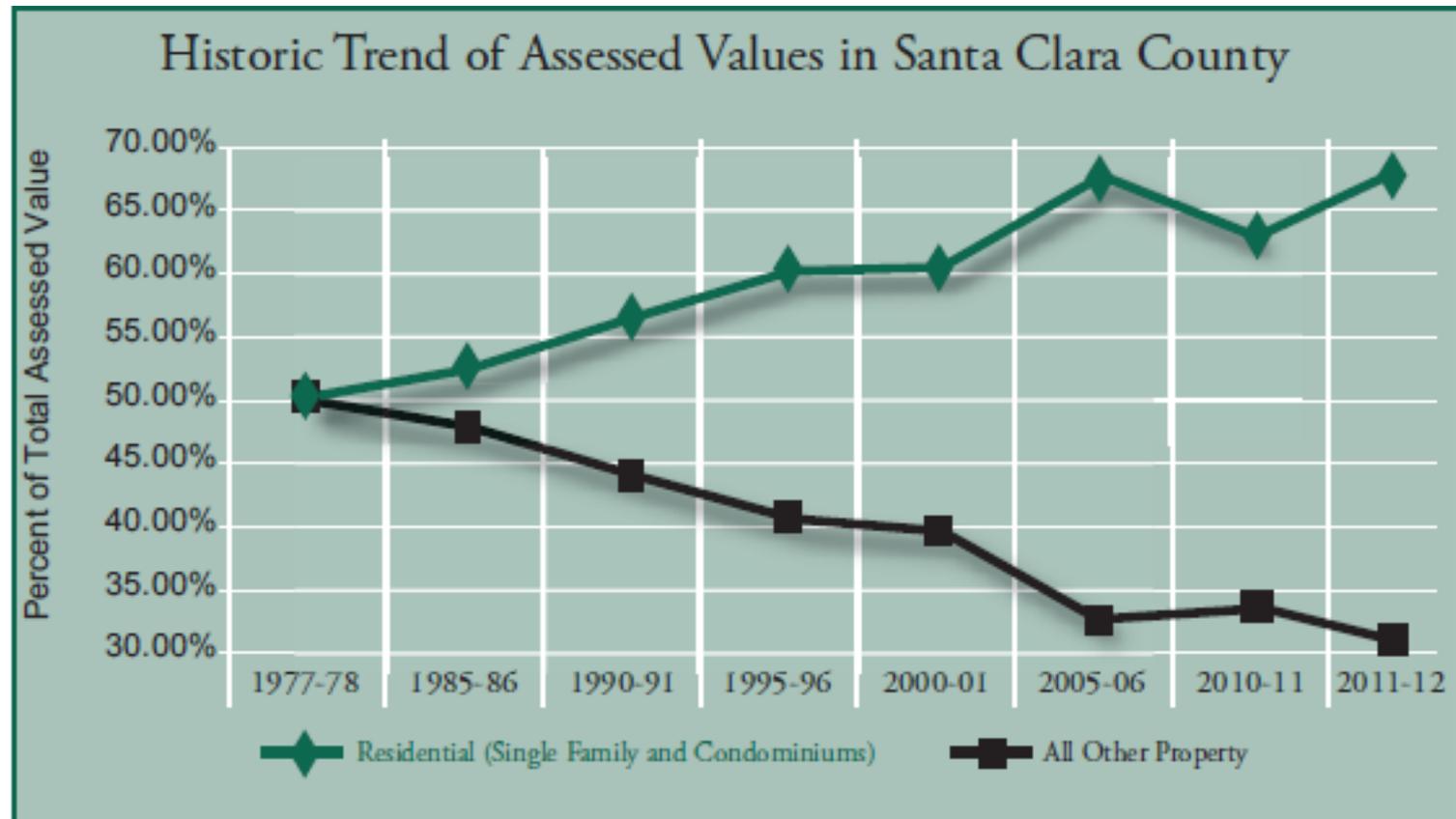


# Commercial property assessment under Proposition 13 and state law

- ▶ Failure at every level:
  - Shifts burden to residential
  - Bad for business and the economy
  - Loophole-ridden law
  - Fiscal policy and land use failure
- ▶ Simple and effective remedies: “Smart Roll”

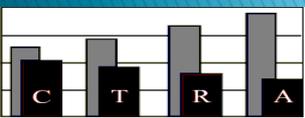


# Shift to residential in 55 of 58 counties



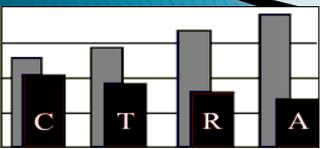
# Bad for business and the economy (!)

- ▶ The opposite of good economics: rewards land-holding, penalizes new investment
- ▶ Inflates land values
- ▶ New investment taxed at full market value
- ▶ Taxes equipment twice (sales and property)
- ▶ Hostile regulatory climate: fees, exactions
- ▶ Fails to fund infrastructure



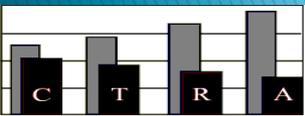
# Law: loopholes by any definition: “ships in the night”

- ▶ When does a property change ownership?
- ▶ REIT's, Trusts, LLC's, Publicly-traded corporations?
- ▶ Martini to Gallo
- ▶ Mammoth Mountain
- ▶ Hilton Hotel Chain (Blackstone)
- ▶ Private Equity buyouts: Toys R Us'
- ▶ CVS/Long's Drugs
- ▶ Santa Clara Marriott/Dorcich Farms LLC
- ▶ Intel, Google, and Yahoo



# Fiscal policy and land use

- ▶ Failure to capture revenues from growth
- ▶ Failure to fund infrastructure: short-circuits virtuous cycle of infrastructure finance (redevelopment)
- ▶ Fails to promote in-fill development
- ▶ Promotes sprawl and speculation
- ▶ Limited general fund revenue for cities and counties



# Research Results and New Research

- ▶ Initial research: Huge disparities in land values, not as much in buildings. (Silicon Valley, hotels)  
New research with data in multiple counties, PERE/USC
- ▶ Land held by trusts, LLC's and corporations rarely reassessed. Researching base year differences, types of ownership, specific companies
- ▶ Simple result/hypothesis: most of the missing value is in land value, the best tax in economic theory because those values are socially created economic rents

# Thought experiment: Smart Roll

- ▶ Reassess commercial land values, and
- ▶ Eliminate business equipment (personal property) tax
- ▶ Impacts:
  - Billions for cities, counties, schools, districts
  - Better regulatory environment and land use
  - Simpler system: loopholes limited, business equipment complexity eliminated
  - Tax relief for small business
  - Infrastructure finance
  - Smart Roll = Smart Growth

