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

Historic Trend of Assessed Values in Santa Clara County

Percent of Total Assessed Value


Residential (Single Family and Condominiums) All Other Property
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