

Agenda Report

August 11, 2014

TO: Honorable Mayor and City Council
THROUGH: Legislative Policy Committee
FROM: City Manager
SUBJECT: Support for Assembly Bill 2372 (Ammiano) on Commercial Property Tax Assessment

RECOMMENDATION:

It is recommended that the City Council support Assembly Bill 2372 by Assembly Member Tom Ammiano which proposes to change current standards for reassessing property due to changes in ownership.

LEGISLATIVE POLICY COMMITTEE:

On July 30, 2014 at a special meeting of the Legislative Policy Committee, a motion was made to support AB 2372 and forward this on to the full City Council for approval.

BACKGROUND:

Assembly Bill 2372 would further clarify a "change in ownership" of commercial property to include that when more than 90 percent of direct or indirect ownership interests in a legal entity are "cumulatively transferred in one or more transactions" then the assessor should reassess the property owner. The League of California Cities recently went on record to support this bill.

Existing law already defines a "change in ownership" for property assessment purposes as when a corporation, partnership, limited liability company, other legal entity or any person obtains control of more than 50 percent of the voting stock of any corporation or a majority interest in any partnership, limited liability company or other legal entity. Despite this definition, there have been instances where changes in ownership have not been captured due to complex legal and accounting strategies where ownership shares are divided into portions with no single owner controlling more than 50 percent.

The principle for property tax reassessment under Proposition 13 is that properties are reassessed upon a change of ownership. This is a reality for anyone who has

purchased a home where the assessed value reflects the purchase price. It is no different for small businesses when they are sold. All property owners receive benefits under Proposition 13, which caps assessments at one percent of market value and limits increases to no more than two percent per year. Thus, it is inequitable and undermines the spirit of the law when some new owners of commercial property engage in complicated strategies to evade reassessment of their properties.

This bill passed in the Assembly on May 29, 2014 as follows with Assembly Member Holden supporting the bill:

57 Ayes
2 Noes
9 Abstained

This bill passed in the Senate Governance and Finance Committee on June 25, 2014 as follows with Senator Carol Liu supporting the bill:

5 Ayes
2 Noes
0 Abstained

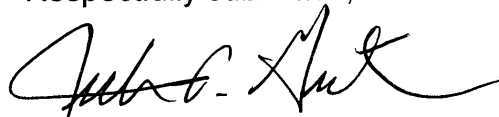
COUNCIL POLICY CONSIDERATION

Support for AB 2372 is consistent with the City Council goal of maintaining fiscal responsibility and stability by increasing equity among property owners and improving property tax collection that supports schools, police, fire, library, park and other important services that benefit all local communities and residents

FISCAL IMPACT:

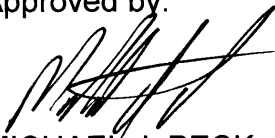
Support of this assembly bill will have no direct fiscal impact.

Respectfully submitted,



JULIE A. GUTIERREZ
Assistant City Manager

Approved by:



MICHAEL J. BECK
City Manager

Attachment A: AB 2372 Bill Text