

Taxes and Fees

POSITION

We recognize that local government entities have an increasing reliance on taxes and fees to generate revenue. However, the commercial real estate industry cannot be used as a crutch to bridge budget deficits or provide tax revenue for services that do not directly benefit commercial property owners, managers, or their tenants. Moreover, unfair taxes and fees too often damage the commercial real estate industry, impose unnecessary burdens on tenants — who are often small businesses, and cause broad damage to the local economy.

As such, we:

- Oppose parcel taxes that do not generate revenue for services that directly benefit the commercial real estate industry.
- Oppose taxes that unnecessarily and/or disproportionately burden the commercial real estate community.
- Oppose regressive taxes that disproportionately burden less valuable properties and small business tenants.
- Support all efforts to maintain Proposition 13 protections for commercial and residential properties.
- Oppose any effort to create a “split tax roll,” which would remove Proposition 13 protections on commercial properties while creating a wedge between commercial and residential property owners.
- Oppose efforts to institute rent control measures that would prevent commercial property owners from recuperating from the revenue lost because of tax increases.
- Oppose unnecessary efforts to increase the frequency of property assessments.
- Support tax savings initiatives aimed at benefitting commercial properties and their tenants.
- Support increasing municipal revenue by way of proportionate, reasonable taxes as a result of businesses growing in more business-friendly cities, counties, and the State.

BACKGROUND

Over the last 10 years, we have defeated numerous efforts to either increase the property tax rate or the frequency of property assessment for office buildings. These challenges to the current system will ultimately increase the burden for our members and their tenants.

A study by the former state Legislative Analyst revealed that raising taxes on commercial businesses will cause them to flee to other states with lower tax rates, ultimately leaving California with fewer jobs and

Position Statement

reduced income. Despite the Legislative Analyst's clear-cut and nonpartisan assessment, Proposition 13's opponents advocate for a "split roll," which would remove property tax protections for commercial properties. We agree with the Legislative Analyst and the business community that increasing property taxes does damage to the economy; it unfairly targets our membership; and it threatens the future of the commercial real estate industry, along with the businesses that rent commercial space. We, therefore, oppose all split roll measures and will continue to work to preserve Proposition 13.

Second, local governments are requiring more revenue than ever before and have consistently turned to the commercial real estate industry to carry the lion's share of the burden. This sometimes comes from the legitimate need for more public services. However, it too often stems from governments committing to obligations beyond their means and only then asking commercial buildings to bridge the budget shortfall with new taxes or fees, overburdening commercial real estate business owners who themselves are struggling to survive post-pandemic. Moreover, these services too often do not directly benefit building owners, managers, or tenants. We have seen this become a pattern with a plethora of parcel taxes and fees on buildings. These usually cause the most harm to small business tenants and penalize properties with large square footage regardless of the building's value. Recently, Measure ULA and other similar LA County transfer taxes have had this kind of devastating effect on the commercial real estate industry. The result we are seeing currently, and will likely continue without its reversal, is less investment and development in local municipalities. Measures like this are counter-productive to government efforts to combat key issues since they are pivotal in causing transactions to stagger yielding far less revenue than they sought to achieve or would be achieved without them being in place. These initiatives are often pursued without commercial real estate community input and lack compromise language. We therefore oppose unfair taxes and fees, and reject efforts to take away our industry's seat at the table.

Municipalities should move cautiously before proposing tax or fee increases that impact businesses in their communities. They should also ensure the commercial real estate community has input in the policy making process. If tax measures incorporate the commercial real estate community's needs in advance, they will likely be more successful in the long term, and we will consider them accordingly. Our common goal is for citizens and businesses in our community to thrive in buildings that are best-in-class and businesses that are profitable. Placing unnecessary burdens on the commercial real estate community works against that goal.