



Councilmember Nikki Fortunato Bas 19 FEB 21 PM 2:24 CITY OF OAKLAND
CITY HALL, 1 FRANK OGAWA PLAZA, 2ND FLOOR, OAKLAND, CALIFORNIA 94612

DATE: February 21, 2019
TO: City Council and Members of the Public
FROM: Councilmember Nikki Fortunato Bas
SUBJECT: Resolution In Support of the California Schools and Local Communities Funding Act of 2020

RECOMMENDATION

Councilmember Bas recommends that the City Council adopt a resolution (1) Supporting The California Schools And Local Communities Funding Act Of 2020, A Proposed Initiative For The November 2020 Ballot That Will Amend The State Constitution To Close A Corporate Tax Loophole By Reassessing Commercial And Industrial Real Property On A One To Three Year Basis Based On A Fair Market Value; (2) Encouraging Other Jurisdictions In The Region To Take Support Positions On The Initiative; And (3) Committing The City Of Oakland To Work In Collaboration With The Oakland Unified School District, Alameda County And State Of California To Maximize Resources For Oakland Public Schools.

SUMMARY

On August 14, 2018, Schools and Communities First, a broad statewide coalition of community, faith and labor organizations including the Advancement Project California, Alliance San Diego, California Calls, California Federation of Teachers, Coalition for Humane Immigrant Rights of California (CHIRLA), Common Sense Kids Action, Evolve California, League of Women Voters of California, PICO California, and Power California, announced the submission of over 870,000 signatures to the 58 County Registrars to qualify the California Schools and Local Communities Funding Act (“the Initiative”) for the November 2020 ballot. This will be the first commercial property tax reform initiative to qualify for the ballot in 40 years since Proposition 13 passed in 1978.

On March 20, 2018, the City Council unanimously passed a resolution in support of an earlier version of the California Schools and Local Communities Funding Act Of 2018 (Resolution No. 87114 C.M.S.), from which portions of this Memorandum and Resolution were taken. This resolution reaffirms the previous resolution and commits the City of Oakland to work in collaboration with the Oakland Unified School District, Alameda County, and the State of California to maximize resources for Oakland Public Schools.

Councilmember Nikki Fortunato Bas

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BACKGROUND

Californians approved Proposition 13 in a referendum in June 1978, which marked a turning point away from public investment in education, infrastructure and social services. While it protected older Californians from steadily increasing residential property taxes, it also rolled back assessed property values to their estimated market value in 1975 and limited annual increases to no more than 2% as long as the property wasn't sold. It capped the property tax rate at 1% of the assessed value for city, county, school and other local governments, draining local revenue, and it mandated that any increase in state taxes would require a two-thirds vote in the Legislature and that any increase in designated or special purpose taxes would require two-thirds voter approval. Local property tax revenues quickly declined by about 60% after Prop. 13 took effect and California, which ranked in the top ten states in per pupil spending in the 1960s had dropped to ranking as 46 in per pupil spending by 2014. Concurrently, City revenue for local services also declined.

ANALYSIS AND POLICY ALTERNATIVES

Without touching residential property taxes, this Initiative seeks to close the Corporate Property Tax Loophole in Proposition 13, while continuing to guarantee protections for homeowners, residential renters, agricultural land, and small businesses. The initiative will exempt businesses with 50 or fewer employees from the reassessment and businesses where the owner-operator operates a business on a majority of the real property, if the fair market value of that property is less than \$2,000,000. See attached fact sheet, materials, list of supporters, and initiative language and <https://schoolsandcommunitiesfirst.org/> for more information.

FISCAL IMPACT

This resolution supports the California Schools And Local Communities Funding Act Of 2020, which, if passed, will result in the City receiving additional local commercial property tax revenue that can be directed to support students in Oakland Public Schools.

PUBLIC OUTREACH / INTEREST

Stakeholders in support of the measure, including educators and community organizations, have sought the Councilmember's support. Organizations supporting this measure include over 200 other organizations included in the attached list of endorsers.

COORDINATION

This report and legislation were coordinated with the City Attorney's office and consulted with the City Administrator's Office.

Item: _____

Special Concurrent Meeting of the Education Partnership Committee
and the Oakland Unified School District Board of Education
February 28, 2019

Councilmember Nikki Fortunato Bas

Subject: Resolution In Support of the California Schools and Local Communities Funding Act of 2020

SUSTAINABLE OPPORTUNITIES

Economic: If the initiative succeeds, the potential increase in revenue generated by closing this tax loophole is estimated to be \$192 million annually in Alameda County, with \$24.6 million estimated for the City of Oakland.

Environmental: There are no environmental impacts.

Social Equity: General increase in the City's revenue can be used to improve infrastructure and services and in particular to address disparities that may exist underserved parts of the City. Increased tax revenue to the state and county will improve the social safety net and increase access to high quality education.

ACTION REQUESTED BY THE CITY COUNCIL

Councilmember Bas recommends the City Council:

Adopt a resolution in support of The California Schools and Local Communities Act of 2020, encourage other jurisdictions in the region to take support positions on the initiative, and commit the City of Oakland to work in collaboration with the Oakland Unified School District, Alameda County and State of California to maximize resources for Oakland public schools.

For questions regarding this report, please contact Miya Saika Chen, Chief of Staff, Office of Councilmember Nikki Fortunato Bas, at 510-238-7246.

Respectfully Submitted,

Nikki Fortunato Bas
Councilmember, District 2

Prepared by:
Miya Saika Chen, Chief of Staff
Office of Councilmember
Nikki Fortunato Bas

Item: _____
Special Concurrent Meeting of the Education Partnership Committee
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February 28, 2019

THE CALIFORNIA SCHOOLS
AND LOCAL COMMUNITIES
FUNDING ACT OF 2018

19 FEB 21 PM 2:25

How to Raise Billions for Schools and Services by Reforming the Commercial Property Tax System

Policy Brief

Summary

The California Schools and Local Communities Funding Act of 2018 proposes a constitutional amendment to put before voters an improvement to the 1978 law, Proposition 13. It will periodically reassess commercial and industrial properties to full market value, while safeguarding homeowners, renters and agricultural land. It will provide tax relief to small businesses and full transparency for the public. It will raise approximately \$11.4 billion in statewide revenues from reassessment for 2019-2020, if fully implemented. A large share of the new revenues, or over \$4.5 billion, will support K-12 schools and community colleges, with the balance allocated to local government (cities, counties, special districts).

I. The Problem

The system for assessment of commercial and industrial property is loophole-ridden, harmful to sound land use, housing, and new investment, and negatively impacts revenue for cities, counties, and schools. Not even the largest beneficiaries of the system—wealthy property owners and large corporations—can provide a rationale for its continuation.

A. The Loophole-Ridden System

Property tax assessment under Proposition 13 is based on a "change of ownership", which locks in assessment at the purchase price (plus 2% per year), and limits the tax rate for all properties to 1%. Intended to help homeowners, change of ownership is easily avoided by corporations and wealthy investors because of the complex ways commercial and industrial property is legally held, and cannot be reformed without maintaining loopholes and inequities.

1. Publicly-Traded Corporations: Change of ownership fails to reassess publicly-traded corporations, whose stock turns over regularly, unless those companies are fully bought out. For example, Chevron, Intel and IBM own land still assessed at 1975 values while nearby land is assessed at 50 times the value or more.

2. Investor-owned Property: Complex ownership patterns allow for avoidance of reassessment in many ways, on everything from industrial parks, offices, shopping centers and hotels to parking lots and mini-malls. Real Estate Investment Trusts (REITs) allow Wall Street investors to buy and sell shares in large properties without reassessment. Limited liability companies (LLC's) and partnerships have changing ownership shares and members but easily avoid reassessment. Family trusts have passed down ownership of valuable land for generations, protecting low assessments for the last 40 years and indefinitely into

the future. Land leases are often used to keep land taxes low even when new construction occurs.

B. Unfair to New Investment

The current system taxes new investment heavily while failing to tax windfalls, the opposite of good economics. It holds land off the market, inflating land prices, which is bad for housing affordability and new investment. It is anti-competitive, as new businesses have to pay higher property taxes than their competitors, even though they are charging the same prices for their rents, products and/or services. Newer investors pay taxes on inflated market values and substantial fees and mitigations, while older commercial property owners who benefit from infrastructure growth and rising markets continue to pay on the old, outdated property values.

C. Failed Fiscal Policy

Even with massive economic growth and a proliferation of new local taxes, tax revenue per capita for cities and counties has fallen from \$790 per person to \$640 since 1978, according to the Legislative Analyst's Office (LAO), generating fiscal stress on most local governments in the state. The property tax has shifted away from commercial/industrial to residential in virtually every county. Our infrastructure investment has declined because local governments cannot generate the revenue needed from the growth in land values.

D. Works Against "Smart Growth" Land Use

The system has negative impacts on land use and the environment. The LAO and academic research shows that the system promotes keeping urban land vacant. It increases speculation and sprawl, the opposite of "Smart Growth". It drives up land prices that make housing less affordable. Important approaches to climate change and livability—increased density and transit—are discouraged by the current failure to tax commercial land appropriately.

II. The Policy Solution

This policy proposal will require a constitutional amendment to be approved by California voters in order to reform the system for assessment of commercial and industrial property.

A. Reassessment

The core component of this proposal is the reassessment of commercial and industrial property to market value on a periodic basis, as occurs nearly everywhere else in the country. The current constitutionally mandated rate of 1% would remain unchanged.

B. Protecting Residential and Agricultural Property

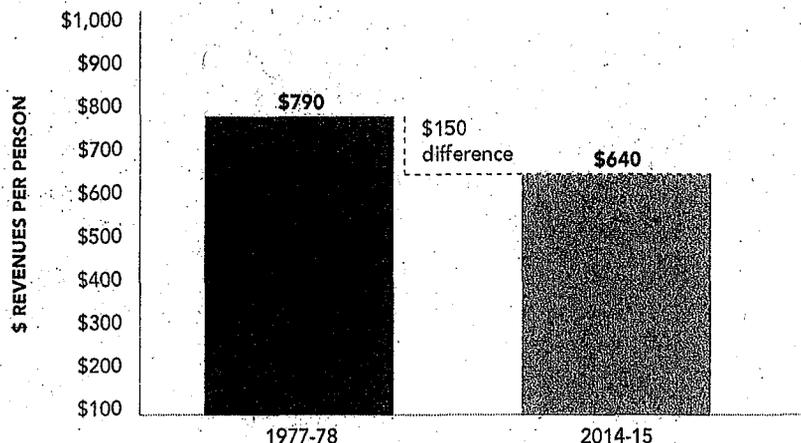
Periodic reassessment will only affect commercial and industrial property, NOT residential and agricultural property. The measure defines such property through zoning categories in order to establish a "bright line". Properties zoned for agricultural purposes have long been protected by the Williamson Act, and are not to be reassessed. No residential properties will be reassessed, whether rental residential (apartments and rental homes), homeowner or condominium owner, or mobile home. To the extent that zoning categories are not sufficiently tight (e.g. residential hotels, nursing homes), the legislature is required to make certain by statute that no residential property will ever be affected. Mixed-use property is to be assessed based on proportion of commercial to residential footage.

C. Phasing In the New System

Since the system has not been changed in 40 years, a transition period will be necessary.

1. *Assessor Provisions:* The measure requires the legislature to provide for a "start-up" period, not less than two years, plus one year of lead time, to ensure a reasonable workload and implementation period for

**Decline in Cities/Counties
Per Person Revenues,
1977 to 2014**



Legislative Analyst's Office, September 2016.
Common Claims about Proposition 13.
[http://lao.ca.gov/reports/2016/3497/
common-claims-prop13-091916.pdf](http://lao.ca.gov/reports/2016/3497/common-claims-prop13-091916.pdf).

assessors. It then requires on-going assessment on a periodic basis, but no more than every three years, after initial reassessment is completed. There are many ways for the assessors to approach this work. For example, assessing the oldest properties and the largest properties first would generate substantial revenue while allowing smaller properties to be phased-in over a longer period. The timing is to be worked out by the legislature, in consultation with the assessors.

2. *Taxpayer Phase-In:* The phase-in process is also to be developed by the legislature. One possibility is a 3-year phase-in for the first properties to be reassessed, to ease in any increases in taxes; and 2-years for the more recent properties. The legislature will determine the appropriate phase-in period, but not less than two years.

D. Small Business Protections

1. *Business Personal Property Tax Relief:* The measure provides relief from the business personal property tax, eliminating it for all small businesses under 50 employees and providing an exemption of the first \$500,000 for all other businesses. This exemption helps the vast majority of businesses that lease but do not own their property. It will take over 90% of businesses off the business personal property tax rolls, and provides relief from a nuisance tax as well as financial relief to small businesses.

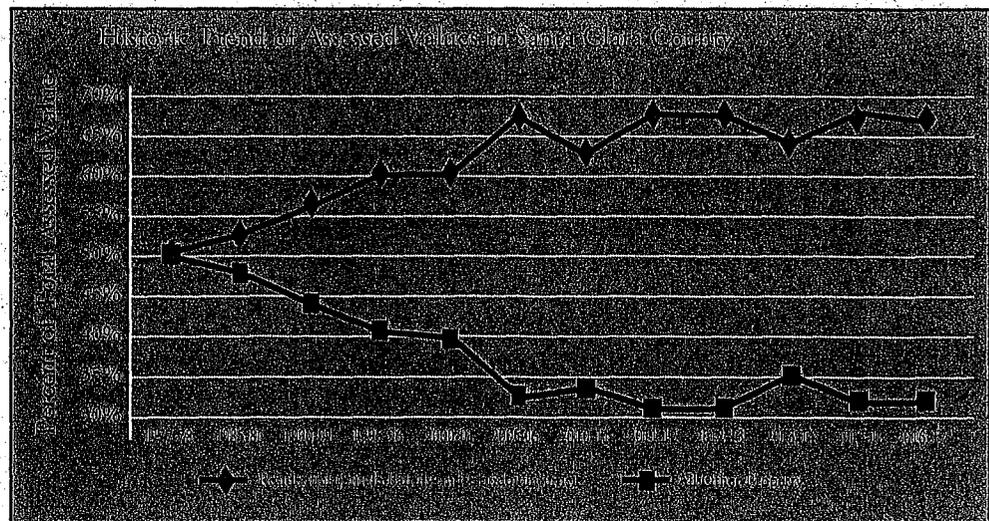
2. *Small Owner-Operators:* A very small number of smaller businesses own their properties and also run their businesses on it, most often in rural areas (e.g. motels, independent gas stations). Those businesses, with property value under \$2 million, will be exempt from reassessment until they sell or no longer run their businesses on their property

E. Revenue Allocation

1. *Local Government Share of Revenue:* The proposal calls for revenue in each county to be allocated based on the current proportions of the property tax which go to the cities, counties, schools, and special districts. Except for the schools, the local jurisdictions in each county will receive the new revenue based on the share of the local property tax they currently receive. The measure leaves property tax allocation unchanged, because a combination of Proposition 13, (which puts property tax allocation in the hands of the legislature), and a subsequent constitutional measure (Prop 1A) control allocation.

2. *School Share of Revenue:* Because of the potentially great fiscal differences among school districts in richer vs. poorer areas, the school revenue generated in each county from the share of the property tax in each school district will be pooled statewide and protected for use solely by K-14 education. This incremental revenue will be over and above Prop. 98 formulas, so will not lower any state support for schools. To further address equity, it will be distributed based on the current Local Control Funding Formula or any successor formula provided by statute.

Property Tax Shift in 55 of 58 Counties



Office of the County Assessor. September 2016. 2016-2017 Assessor's Annual Report. https://www.sccassessor.org/docman/AnnualReport2016_2017.pdf

F. Revenue Reimbursements

The state General Fund will be reimbursed against any losses resulting from an increase in commercial property tax deductions caused by reassessment, with the Franchise Tax Board to provide an estimate yearly. Assessors will be reimbursed from the new revenue for any increased costs of implementation. Revenue will be allocated to the newly-created school fund and to local districts after these reimbursements, which are a very small percentage of total revenue.

G. Accountability to Taxpayers

All school districts and local governments receiving revenue from the measure will be required to prepare reports to provide accountability to taxpayers for the use of the incremental revenue from collections. The legislature shall develop a consistent method to calculate the incremental revenues received.

III. Impacts

A. Projected Revenue

1. **Statewide Revenue:** Statewide revenue from reassessment is estimated at \$11.4 billion annually, or between \$10.8 and \$12 billion statewide if it were to be fully implemented in 2019-2020. This is higher than the previously estimated \$8-10 billion and is based on over 10 years of complete statewide commercial property data sets running from 2004-2016. This amount will grow with economic growth. The reform will generate \$3.6 billion in Los Angeles County, \$1 billion each in Santa Clara and Orange Counties, and produce substantial increases for all counties.

2. **Schools:** Schools will see over \$4.5 billion in increased revenue yearly. This translates into between \$15,000-\$20,000 per classroom when fully implemented. Every school district will receive increased revenue, based on the Local Control Funding Formula applied statewide. All revenue will be in addition to and on top of current revenue guaranteed by Proposition 98.

Estimated Revenue Gains by County 2019-2020

COUNTY	ESTIMATED RANGE	MID-ESTIMATE	COUNTY	ESTIMATED RANGE	MID-ESTIMATE
ALAMEDA	523.9 - 583.9	553.4	PLACER	58.3 - 66.5	62.4
ALPINE	2 - 2	0.2	PLUMAS	3.8 - 4.3	4.1
AMADOR	2.4 - 2.9	2.7	RIVERSIDE	314.6 - 356.7	335.3
BUTTE	15.0 - 17.5	16.3	SACRAMENTO	134.2 - 155.5	144.7
CALAVERAS	2.3 - 2.7	2.5	SAN BENITO	5.8 - 6.5	6.2
COLUSA	4.0 - 4.4	4.2	SAN BERNARDINO	387.5 - 438.2	412.4
CONTRA COSTA	329.5 - 366.7	347.8	SAN DIEGO	800.1 - 898.4	848.4
DEL NORTE	1.4 - 1.6	1.5	SAN FRANCISCO	795.4 - 877.7	835.9
EL DORADO	16.1 - 18.4	17.2	SAN JOAQUIN	84.0 - 96.1	90.0
FRESNO	106.7 - 120.4	113.4	SAN LUIS OBISPO	54.8 - 61.8	58.2
GLENN	3.2 - 3.5	3.3	SAN MATEO	559.5 - 615.7	587.2
HUMBOLDT	20.8 - 23.2	22.0	SANTA BARBARA	122.7 - 137.4	129.9
IMPERIAL	14.4 - 16.3	15.3	SANTA CLARA	1,011.4 - 1,121.3	1,065.5
INYO	6.8 - 7.9	7.3	SANTA CRUZ	43.5 - 48.7	46.1
KERN	105.4 - 119.1	112.1	SHASTA	18.6 - 21.3	19.9
KINGS	15.6 - 17.6	16.6	SIERRA	1 - 1	0.1
LAKE	1.7 - 2.1	1.9	SISKIYOU	4.5 - 5.2	4.9
LASSEN	1.3 - 1.5	1.4	SOLANO	57.6 - 66.2	61.8
LOS ANGELES	3,443.8 - 3,826.9	3,632.2	SONOMA	109.0 - 122.0	115.4
MADERA	10.4 - 12.1	11.2	STANISLAUS	43.6 - 50.2	46.8
MARIN	67.1 - 75.1	71.0	SUTTER	13.3 - 15.0	14.1
MARIPOSA	1.9 - 2.2	2.1	TEHAMA	6.3 - 7.0	6.6
MENDOCINO	25.8 - 29.0	27.4	TRINITY	1.4 - 1.6	1.5
MERCED	29.5 - 33.2	31.4	TULARE	30.1 - 35.2	32.6
MODOC	3 - 4	0.4	TUOLUMNE	5.6 - 6.4	6.0
MONO	2.0 - 2.5	2.2	VENTURA	163.0 - 183.2	172.9
MONTEREY	61.9 - 70.6	66.2	YOLO	25.2 - 29.2	27.1
NAPA	62.9 - 70.7	66.7	YUBA	7.1 - 7.9	7.5
NEVADA	15.8 - 17.8	16.8	Total	10,778.8 - 12,031.3	11,394.7

Program for Environmental and Regional Equity, University of Southern California Dornsife. May 2015. *Getting Real About Reform: Estimating Revenue Gains from Changes to California's System of Assessing Commercial Real Estate.* <http://dornsife.usc.edu/per/e/getting-real-about-reform/>. Revenue estimates updated in June 2017.

3. *Local Government:* Cities, counties, and special districts will receive over \$6 billion in increased revenues. Like all property taxes, revenues will be spent at local government discretion, for parks, libraries, public safety, capital outlay, health and social services, etc.

B. Who Pays?

1. *Highest-Value Properties Pay the Most:* The highest-value properties provide most of the revenue. 77% of the revenue comes from a small share of properties—that is, from properties estimated worth over \$5 million, or 8% of commercial and industrial properties. These are mostly corporate-owned and wealthy investor-owned and have the lowest current assessment compared to market value. In contrast, nearly 75% of properties are worth under \$1 million and generate only 5% of the total revenue.

2. *Many Properties See Little Change:* Many properties will see little or no impact. 46% of all commercial/industrial properties are within 30% of market value, with many of those close to or at market, and will pay little or no additional taxes as the measure phases in.

3. *Oldest Properties Pay:* Over 56% of the revenue comes from properties which were last reassessed before 2000. These include large corporate and investor-owned properties, many of which have not been reassessed since the 1970s and 1980s.

4. *Most Value in Land, Not Buildings:* Sixty percent of the revenue comes from the reassessment of land as compared to buildings and improvements. Buildings

which are improved are currently reassessed while land may still be held at very old values. The differences in building values are nowhere near the disparities in land values, which can be as high as 100 to 1 in places where values have grown rapidly, such as Silicon Valley, San Francisco, and west Los Angeles.

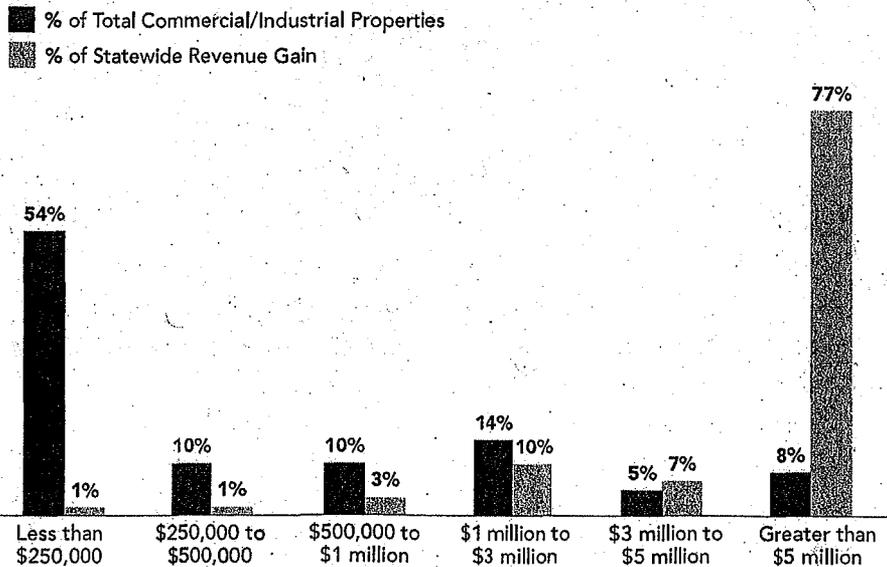
5. *Out of State Investors:* Substantial amounts of the new tax revenue will be paid by out-of-state and foreign investors and the very wealthy. Large properties are often owned by Real Estate Investment Trusts and are publicly-traded on national and international exchanges, and foreign investors have seen California commercial property as a safe long-term investment. Corporate shareholders are widely distributed nationally and internationally and would pay much of the property tax. Owners of commercial property are far wealthier than most citizens, generally within the top 1% of earners.

C. Broader Benefits and Impacts

1. *Relief from Fees and Local Tax Pressures:* Increasing revenue from commercial property taxes eliminates pressures for additional local taxes and fees, which have grown considerably as a portion of local government expenses. Over time, citizens and businesses have borne many of these new taxes and fees because large property owners have paid so little.

2. *Infrastructure Benefits:* Because rising land values will be captured, the ability to finance infrastructure is greatly improved, particularly for transit, where new investments can recover costs from rising land values.

Share of Total Number of Commercial/Industrial Properties and Share of Statewide Revenue Gain by Estimated Market Value, 2019



Source: USC PERE analysis of disparity ratios of commercial and industrial properties based on CoreLogic assessor roll data for 2016.

3. *“Smart Growth” Benefits:* Development which concentrates urban land use instead of promoting suburban sprawl and big-box retail will increase as underutilized, in-fill properties with high value but low assessments will be brought onto the market. Smart growth is a necessary part of combating climate change.

4. *Regulatory Climate Will Improve for Business:* The regulatory burden of fees and exactions put on new economic development will diminish, as cities have stronger fiscal incentives for new development and will be able to finance the costs of economic growth.

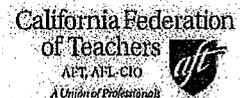
5. *Affordable Housing:* Local revenues from reassessment will enable cities to meet their local affordable housing obligations and address their homeless problems. The heavy fee burden on new housing development is likely to diminish. And the land use benefits will improve affordability for all types of housing.

6. *Small Business Benefits:* Every small business will benefit from the elimination of the business personal property tax. Opponents of reform cite the pressures on small business who have leases which would require pass-through of property taxes as rent increases. The fact is that commercial rents are at market and will not increase as a result of reassessment. Since many properties will face little or no increases, many businesses will have net benefits due to the elimination of the business personal property tax. A phase-in period allows small business the ability to adjust, including in their leases.

**THE CALIFORNIA SCHOOLS
AND LOCAL COMMUNITIES
FUNDING ACT OF 2018**

phone: 323-735-9515

**The CALIFORNIA
SCHOOLS AND
LOCAL COMMUNITIES
FUNDING ACT OF 2018
Coalition Steering
Committee**



SECTION 1. Title

This measure shall be known as "The California Schools and Local Communities Funding Act of 2018."

SEC. 2. Findings

- a) California's public schools, once the envy of the nation, are severely underfunded. Restoring funding to create world-class schools that educate the next generation of entrepreneurs and the workforce for tomorrow's economy is critical to California's future.
- b) California has slid to 41st in the nation in per pupil spending, putting a severe strain on students, families, and teachers of our K-12 schools and community colleges.
- c) California's local governments are also chronically underfunded, which has hurt the quality of local services including emergency responder services, parks and libraries, health clinics and trauma centers, housing construction and homeless services, roads and bridges, and local schools and community colleges.
- d) A loophole in California's tax system has been the primary driver of this disinvestment by failing to reassess commercial and industrial real property on a regular basis.
- e) A recent study by the University of Southern California has found that commercial and industrial property owners avoid over \$11 billion in local property taxes.
- f) Closing this loophole would raise billions in new funding for schools, and local city and county services to extend library hours, fix roads, expand health access, and re-open fire stations each year.
- g) This loophole creates an unequal playing field for new and small businesses in California. Thousands of large commercial property owners are paying a small fraction of what many other businesses and property owners are paying.
- h) A relatively small number of properties owned by the largest corporations and wealthiest investors get most of the benefits from this tax loophole. Almost 80% of this tax avoidance comes from only 8% of the properties worth \$5 million or more.
- i) The federal tax law recently enacted by Congress provides huge tax cuts to the same large corporations and wealthy investors that benefit from California's commercial property tax loophole. And unlike California individual taxpayers, all their state and local taxes will still be deductible from their federal taxes.
- j) Much of the money pocketed through the existing loophole flows to out-of-state and foreign shareholders. Reassessing commercial property would ensure that money stays here in California.

- k) Recent analysis demonstrates that reassessing commercial and industrial real property will have a net positive effect on California's economy, improving competition and helping new business and new investment which creates jobs.
- l) Reassessing commercial property is critical to smart and environmentally safe local development. The failure to reassess commercial property has encouraged owners to keep land parcels vacant, exacerbating the housing crisis and promoting sprawl.
- m) Reassessing commercial property at fair market value will close the loophole and still maintain California's property tax rates as among the lowest in the country.
- n) By closing this loophole, California can restore funding to its underfunded schools, provide for high-need students, invest in local communities, level the playing field for business, and stimulate the economy. Given the consequences of the recently enacted federal tax law, closing this loophole is important to California's future.

SEC. 3. Purpose and Intent.

It is the intent of the people of the State of California to do all of the following in this measure:

- (a) Provide for increased and stable revenues for schools, cities, counties, and local agencies by requiring that all commercial and industrial real properties are assessed at their full market value.
- (b) Ensure that the portion of any new revenues going to local schools and community colleges is treated as new revenues that are in addition to all other funding for schools and community colleges, and is allocated in a manner that benefits all schools and community colleges consistent with constitutional requirements to advance equity.
- (c) Distribute to cities, counties and special districts any new revenues resulting from the implementation of this law in the same manner as other property tax revenues.
- (d) Provide funding for infrastructure through faster payment of current bonded indebtedness on the property tax.
- (e) Preserve in every way Proposition 13's protections for homeowners and for rental residential properties. This measure only affects the assessment of taxable commercial and industrial real property.
- (f) Provide small commercial real property owners owning and operating their business on their property an exemption that ensures stability for their business.
- (g) Make no change to existing laws affecting the taxation or preservation of agricultural land.

- (h) Assist businesses, whether they own or rent their place of business, by reducing the business tangible personal property tax on equipment and fixtures for each business by exempting \$500,000 of that property from taxation, and by eliminating this tax for small businesses with 50 or fewer employees. This would eliminate the tax on equipment and fixtures for about 90 percent of all California businesses. The Legislature would be prohibited from lowering this exemption but would be authorized to increase it.
- (i) Require the Legislature to provide for the phase-in of the assessment of under-assessed commercial and industrial real properties to give county assessors time to effectively implement the new law.
- (j) Require the Legislature to provide owners of under-assessed commercial and industrial real properties time to meet their obligations under the law by phasing in assessment increases resulting from the initial implementation of this law.
- (k) Make sure schools, community colleges, counties, cities, and special districts are appropriately spending any new revenues they receive from this measure by requiring that new revenues and their expenditure be publicly disclosed.
- (l) Ensure that the General Fund and other funds of the State are held harmless by reimbursing the State for reductions in personal income tax and corporation tax revenue caused by the deductibility of the property tax.

SEC. 4. Section 8.7 of Article XVI of the California Constitution is added to read:

SEC. 8.7. (a) The Local School and Community College Property Tax Fund is hereby created in the State Treasury, to be held in trust, and is continuously appropriated for the support of local education agencies as that term is defined in section 421 of the Education Code as that statute read on January 1, 2018, and for the support of community college districts. The moneys deposited in the Local School and Community College Property Tax Fund shall be held in trust for schools, and shall be distributed pursuant to the local control funding formula for local education agencies and other distribution formulas for community college districts as these formulas were operative on January 1, 2018, or pursuant to any subsequent modification of the formula that provides for funding, as provided by statute, for local education agencies and community college districts. Basic aid districts as defined in section 41544(c) of the Education Code, necessary small schools as defined in section 42283(a) and necessary small high schools as defined in section 42285(a) of the Education Code shall receive for each high-need student, as designated by the local control funding formula, an amount of funding equal to the average per-pupil funding calculated by dividing the total funding available for allocation to local education agencies in the Local School and Community College Property Tax Fund by the statewide K – 12 attendance. For these districts and schools, these funds shall be used to support services for high-need students. For purposes of this subdivision high-need student shall have the same meaning as unduplicated pupil as defined in section 42238.02(b) of the Education Code.

(b) Notwithstanding any other law, the moneys deposited in the Local School and Community College Property Tax Fund shall not be subject to appropriation, reversion, or transfer by the Legislature, the Governor, the Director of Finance, or the Controller for any purpose other than those specified in this section, nor shall these revenues be loaned to the General Fund or any other fund of the State or any local government fund.

(c) Moneys allocated to local education agencies, as that term is defined in section 421 of the Education Code as that statute read on January 1, 2018, and to community college districts from the Local School and Community College Property Tax Fund shall supplement, and shall not replace, other funding for education. Funds deposited into the Local School and Community College Property Tax Fund and allocated from the Local School and Community College Property Tax Fund shall not be part of "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes" for purposes of paragraphs (2) and (3) of subdivision (b) of Section 8 of this Article or for purposes of Section 21 of this Article. Except as provided in subdivision (c) of Section 8.6 of this Article, revenues generated by Section 2.5 of Article XIII A shall not be deemed to be General Fund revenues which may be appropriated pursuant to Article XIII B for purposes of paragraph (1) of subdivision (b) of Section 8 of this Article, nor shall they be considered in the determination of per capita General Fund revenues for purposes of subdivisions (b) and (e) of Section 8 of this Article.

(d) Revenues generated by Section 2.5 of Article XIII A shall not be deemed to be General Fund proceeds of taxes that may be appropriated pursuant to Article XIII B for purposes of Section 20 or Section 21 of this Article.

SEC. 5. Section 8.6 of Article XVI of the California Constitution is added to read:

SEC. 8.6. (a) The county auditor shall annually determine the additional revenue in the county resulting from the application of the tax rate specified in subdivision (a) of Section 1 of Article XIII A and the application of Section 2.5 of Article XIII A pursuant to a methodology prescribed by the Legislature by statute.

(b) After transferring the necessary funds pursuant to subdivisions (c) and (d), the additional revenue resulting from the application of Section 2.5 of Article XIII A shall be allocated and transferred as follows:

(1) First, to the Local School and Community College Property Tax Fund created pursuant to Section 8.7, in an amount equal to the school and community college share of property taxes as determined pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, as that chapter read on January 1, 2018.

(2) Second, among cities, counties and special districts pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, as that chapter read on January 1, 2018.

(c) The Franchise Tax Board shall determine the reduction to the General Fund and any other affected state fund of revenues derived from the taxes imposed by the Personal Income Tax Law (Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code) and the Corporation Tax Law (Part 11 (commencing with Section 23001) of Division 2 of the Revenue and Taxation Code), as those laws read on January 1, 2018, due to the deduction of any net increase in property taxes resulting from the implementation of Section 2.5 of Article XIII A and subdivision (a) of Section 3.1 of Article XIII. The amount of reduction as determined by the Franchise Tax Board shall be transferred to the General Fund and any other affected state fund prior to the allocation specified in subdivision (b). For purposes of making the determinations required by Section 8 of this Article, the amount transferred to the General Fund pursuant to this subdivision shall be deemed to be General Fund revenues which may be appropriated pursuant to Article XIII B and General Fund proceeds of taxes appropriated pursuant to Article XIII B, and shall be included in the calculation of per capita General Fund revenues. The amount transferred pursuant to this subdivision shall for each fiscal year be apportioned among the counties in proportion to each county's contribution to the total additional revenue resulting from the application of Section 2.5 of Article XIII A determined for all counties.

(d) Each county or city and county shall be annually compensated for the actual direct administrative costs of implementing Section 2.5 of Article XIII A as identified by the board of supervisors of the county or city and county consistent with statutes identifying those costs. The board of supervisors of the county or city and county shall identify the annual direct administrative costs of implementing Section 2.5 of Article XIII A. The Legislature may determine by statute what constitutes actual direct administrative costs for purposes of this subdivision.

(e) All local education agencies, community colleges, counties, cities and counties, cities, and special districts that receive funds from the revenues generated by Section 2.5 of Article XIII A shall publicly disclose for each fiscal year, including in their annual budgets, the amount of property tax revenues they received for that fiscal year as the result of Section 2.5 of Article XIII A and how those revenues were spent. This subdivision shall not apply to funds transferred pursuant to subdivision (c) of this section.

SEC. 6. Section 2.5 of Article XIII A of the California Constitution is added to read:

SEC. 2.5. (a) (1) Notwithstanding Section 2, for the lien date for the 2020-21 fiscal year and each lien date thereafter, the "full cash value" of commercial and industrial real property that is not zoned for commercial agricultural production or otherwise exempt under the Constitution is

the fair market value of that property as of that date, except as provided by the Legislature pursuant to subdivision (b).

(2) Paragraph (1) shall not apply to residential property as defined in this section, whether it is occupied by a homeowner or a renter. Residential property as defined in this section shall be assessed as required by Section 2 of this Article. Paragraph (1) shall also not apply to real property used for commercial agricultural production as defined in this section. Real property used for commercial agricultural production as defined in this section shall be assessed as required by Section 2 of this Article.

(b) The Legislature, after conferring with county assessors, shall provide by statute for the phase-in of the reassessment of commercial and industrial real property as required by paragraph (1) of subdivision (a). Any such phase-in shall provide for reassessment of commercial and industrial real properties commencing with the lien date for the 2020-21 fiscal year and extending over two or more lien dates each fiscal year thereafter, in order to ensure a reasonable workload and implementation period for county assessors and taxpayers, including provision for processing and timing of assessment appeals. After the initial reassessment of commercial and industrial real property pursuant to this subdivision, such commercial and industrial real property shall be periodically reassessed no less frequently than every three years as determined by the Legislature.

(c) For purposes of this section:

(1) "Commercial and industrial real property" means any real property that is either used or zoned as commercial or as industrial property, or is vacant land not used or zoned for residential use or used for commercial agricultural production. For purposes of this paragraph vacant land shall not include land zoned for open space or the equivalent designation for land essentially free of structures, natural in character to provide opportunities for recreation and education, and intended to preserve scenic, cultural and historic values.

(2) "Mixed-use real property" means real property on which both residential and commercial or industrial uses are permitted.

(3) "Real property used for commercial agricultural production" means land that is used or zoned for producing commercial agricultural commodities.

(4)(A) "Residential property" shall include property used or zoned as residential property, including both single-family and multiunit structures, and the land on which those structures are constructed or placed.

(B) The Legislature shall provide by statute that any property zoned as commercial or industrial but used as long term residential property shall be classified as residential for purposes of paragraph (2) subdivision (a). For mixed-use real property, the Legislature shall ensure only that portion of the property that is used for commercial and industrial purposes shall be subject to reassessment as required by paragraph (1) of subdivision (a).

(d) Using the methodology prescribed by the Legislature pursuant to subdivision (a) of Section 8.6 of Article XVI, the percentage change in gross taxable assessed valuation within a city, county, or a city and county used to calculate an entity's vehicle license fee adjustment

amount pursuant to Section 97.70 of the Revenue and Taxation Code shall not include the additional assessed valuation that results from the application of this section.

SEC. 7. Section 3.1 of Article XIII of the California Constitution is added to read:

SEC. 3.1. (a) (1) For each taxpayer paying the tax on tangible personal property used for business purposes, either of the following shall apply:

(A) Except for a taxpayer subject to subparagraph (B), an amount of up to five hundred thousand dollars (\$500,000) of tangible personal property per taxpayer is exempt from taxation.

(B) (i) For a taxpayer that is a business with 50 or fewer annual full-time equivalent employees in the state, all tangible personal property owned and used for business purposes is exempt from taxation.

(ii) A taxpayer shall certify annually to the assessor under penalty of perjury that the condition required by this subparagraph for exemption has been met and shall be subject to audit by the assessor as to that certification.

(2) Fixtures shall be included as tangible personal property subject to this exemption, but aircraft and vessels shall not be included.

(3) The Legislature shall not lower the exemption amounts provided by this subdivision or change their application, but may increase the exemption amount specified in subparagraph (A) of paragraph (1) consistent with the authority enumerated in Section 2 of this Article.

(b) (1) Real property owned by a taxpayer that operates a business or businesses on that real property shall not be subject to reassessment pursuant to Section 2.5 of Article XIII A if both of the following conditions are met:

(A) The owner-operator operates the business on a majority of the real property.

(B) The total fair market value of all property owned by the taxpayer in the state on which the business operates is less than two million dollars (\$2,000,000). This amount shall be adjusted for inflation every two years commencing January 1, 2023, as determined by the Board of Equalization.

(2) Real property described in paragraph (1) shall be subject to reassessment pursuant to Section 2.5 of Article XIII A if either of the following occurs:

(A) The property is sold.

(B) The business or businesses no longer operate on a majority of the property.

(3) A taxpayer shall certify annually to the assessor under penalty of perjury that the conditions required by this subdivision have been met and shall be subject to audit by the assessor as to that certification.

SEC. 8. Section 15 of Article XIII B of the California Constitution is added to read:

SEC. 15. (a) For purposes of this article, proceeds of taxes shall not include the additional revenues generated by Section 2.5 of Article XIII A.

(b) For purposes of this article, appropriations subject to limitation of each entity of government shall not include appropriations of the additional revenues collected as a result of the implementation of Section 2.5 of Article XIII A.

SEC. 9. Effective Date.

This measure shall become operative on January 1, 2020, except that subdivision (a) of Section 3.1 of Article XIII shall become operative on January 1, 2021.

SEC. 10. Severability

The provisions of this Act are severable. If any portion, section, subdivision, paragraph, clause, sentence, phrase; word, or application of this Act is for any reason held to be invalid by a decision of any court of competent jurisdiction, that decision shall not affect the validity of the remaining portions of this Act. The People of the State of California hereby declare that they would have adopted this Act and each and every portion, section, subdivision, paragraph, clause, sentence, phrase, word, and application not declared invalid or unconstitutional without regard to whether any portion of this Act or application thereof would be subsequently declared invalid.

SCHOOLS & COMMUNITIES FIRST

OCTOBER 2018 ENDORSERS

STATE & FEDERAL ELECTED OFFICIALS

- Senator Scott Weiner, 11th Senate District
- Senator Connie Leyva, 20th Senate District
- Assemblyman Rob Bonta, 18th Assembly District
- Assemblyman Kansen Chu, 25th Assembly District
- U.S. Congresswoman Karen Bass

LOCAL GOVERNMENTS

- San Francisco Board of Supervisors
- Oakland City Council
- Berkeley City Council
- Albany City Council
- Albany Unified School District
- Los Angeles School District
- Oakland Unified School District
- Pasadena Unified School District
- San Francisco Unified School District

LOCAL ELECTED OFFICIALS

City Mayors and Council Members

- Libby Schaaf, Mayor of Oakland
- Gabriel Quinto, Mayor of El Cerrito
- John Bauters, Mayor of Emeryville
- David Glass, Mayor of Petaluma
- W. Clarke Conway, Mayor of Brisbane
- Jose Gurrola, Mayor of Arvin
- Peggy McQuaid, Mayor of Albany
- John Keener, Mayor of Pacifica
- Gregory Pettis, Mayor Pro Tem of Cathedral City
- Rod Sinks, Vice Mayor of Cupertino
- Alexandra Medina, Vice Mayor of Emeryville
- Chris Rogers, Vice Mayor of Santa Rosa
- Gayle McLaughlin, Former Mayor of Richmond
- Nancy Shepherd, Former Mayor of Palo Alto
- Nick Pilch, Albany City Council Member
- Sophie Hanh, Berkeley City Council Member
- Kate Harrison, Berkeley City Council Member
- John Aguilar, Cathedral City Council Member
- Gregorio Gomez, Farmersville City Council Member
- Myrna de Vera, Hercules City Council Member
- Marqueece Harris-Dawson, Los Angeles City Council Member
- Dan Kalb, Oakland City Council Member
- Adrian Fine, Palo Alto City Council Member
- Tom DuBois, Palo Alto City Council Member
- Tim Rood, Piedmont City Council Member
- Rishi Kumar, Saratoga City Council Member
- Melvin Willis, Richmond City Council Member
- Jovanka Beckles, Richmond City Council Member
- Michael Salazar, San Bruno City Council Member
- Cecilia Valdez, San Pablo City Council Member
- Kevin McKeown, Santa Monica City Council Member
- Terry O'Day, Santa Monica City Council Member
- Jack Tibbetts, Santa Rosa City Council Member
- Hollie Thier, Tiburon Town City Council Member

County Supervisors

- Sheila Kuehl, Los Angeles County Board of Supervisors
- Sandra Fewer, San Francisco Board of Supervisors
- John Leopold, Santa Cruz Board of Supervisors

Other

- Barbara Contreras Rapisarda, Pico Water District
- Elizabeth Minter, Placentia Library District of Orange County

SCHOOL BOARD OFFICIALS

- Amber Childress, Alameda County Board of Education
- Anne McKeregan, Alameda Unified School District
- Kim Trutane, Albany Unified School District
- Joseph Barragan, Alford Unified School District
- Bob Laurent, Amador Unified School District
- Debra Vinson, Antioch Unified School District
- Jeri Bible Vogel, Azusa Unified School District
- Xilonin Cruz-Gonzalez, Azusa Unified School District
- Jo A.S. Loss, Castro Valley Unified School District
- Francisco Tamayo, Chula Vista Elementary School District
- Brigitte Davila, President, City College of San Francisco
- Rafael Mandelman, City College of San Francisco
- Alex Randolph, City College of San Francisco
- John Rizzo, City College of San Francisco
- Shanell Williams, City College of San Francisco
- Tom Temprano, City College of San Francisco
- Lorraine Prinsky, Coast Community College District
- Kent Taylor, Colton Joint Unified School District
- Jennet Stebbins, Delta Community College of San Joaquin
- Pattie Cortese, East Side Union High School District
- David Diaz, El Monte Union High School District
- Omar Torres, Franklin-McKinley School District
- Lois Locci, Gavilan Joint Community College District
- Henry Lo, Garvey Elementary School District
- Dr. Annette, Hayward Unified School District
- Kallimah Salahuddin, Jefferson Union High School District
- Robert Garcia, Jurupa Unified School District
- Jonathan T. Wright, Trustee, Martinez Unified School District
- David Gerard, Morgan Hill Unified School District
- Amy Martenson, Napa Valley College
- Gregory Mack, Novato Unified School District
- Ed Lopez, North Orange County Community College District
- Jody London, Oakland Unified School District
- Shanthi Gonzales, Oakland Unified School District
- Nina Sen, Oakland Unified School District
- Kimberley Beatty, Poway Unified School District
- Dennis McBride, Redwood City School District
- Carol Elliott, San Carlos School District
- Roy Grimes, Sacramento City Unified School District
- Susan Ellenberg, San Jose Unified School District
- Barbara Flores, San Bernardino City Unified School District
- Matt Haney, San Francisco Board of Education
- Emily Murase, San Francisco Board of Education
- Mark Sanchez, San Francisco Board of Education
- Maurice Goodman, San Mateo County Community College
- Maurice Goodman, San Mateo County Community College
- Jonathan Abboud, Santa Barbara Community College District
- Jane Barr, Santa Cruz County Office of Education
- Maria Leon-Vazquez, Santa Monica/Malibu Unified School District
- Gina Cuclis, Sonoma County Board of Education
- Bob Lawson, Vallejo City Unified School District
- Madeline Kronenberg, West Contra Costa Unified School District
- Norma Alcalá, Washington Unified School District
- Madeline Kronenberg, West Contra Costa Unified School District

PHILANTHROPY

- The San Francisco Foundation
- Silicon Valley Community Foundation
- The Chan-Zuckerberg Initiative
- East Bay Community Foundation
- Liberty Hill Foundation

LABOR

- American Federation of Teachers
- California Federation of Teachers
- United Teachers of Los Angeles
- SEIU 521
- Committee of Interns and Residents/SEIU Healthcare
- UFCW Local 770
- United Teachers of Richmond CTA/NEA
- Anaheim Secondary Teachers Association CTA/NEA
- Morgan Hill Federation of Teachers – AFT 2022
- Richmond Teachers Association
- San Jose Teachers Association CTA/NEA
- East Side Teachers Association CTA/NEA
- Evergreen Teachers Association CTA/NEA
- AFT Local 931
- AFT Local 1078
- United Educators of San Francisco
- Oakland Education Association
- Santa Ana Educators Association
- Fresno Teachers Association
- Hayward Education Association
- IBEW Local 569
- IFPTE Local 21
- Teamsters Local 572
- Communications Workers of American Local 9423
- Warehouse Worker Resource Center
- San Diego Building Trades Council
- Unite HERE Local 11
- Unite HERE Local 2850
- The Federation of Retired Union Members (FORUM)

FAITH

- PICO California
- Bend the Arc, A Jewish Partnership for Justice
- Congregations Organized for Prophetic Engagement (COPE)
- Inland Congregations United for Change (ICUC)
- People Acting in Community Together (PACT)
- Faith in Action Bay Area
- Faith in the Valley
- San Diego Organizing Project
- Orange County Congregation Community Organization
- Greater Long Beach Interfaith Community Organization
- LA Voice
- Oakland Community Organizations
- Sacramento Area Congregations Together
- Placer People of Faith
- True North
- California Church IMPACT
- New Life Christian Church of Fontana
- Life Center Church
- New Hope Missionary Baptist Church
- First Congregational Church of Palo Alto, UCC
- Rev. Dr. Eileen Altman, Associate Pastor, First Congregational Church of Palo Alto, UCC*
- Rev. Damita Davis-Howard, Assistant Pastor, First Mt. Sinai Missionary Baptist*
- Pastor Albert Hong, Associate Pastor, New Hope Covenant Church*

* For identification purposes only

SCHOOLS & COMMUNITIES FIRST

OCTOBER 2018 ENDORSERS

HEALTH

- California Physicians Alliance
- Human Impact Partners
- Prevention Institute
- Public Health Institute
- Public Health Justice Collective
- Center for Climate Change and Health
- Berkeley Media Studies Group
- Black Women for Wellness
- Charles Bean, Executive Director, California IHSS Consumer Alliance
- Asian Health Services

SENIORS

- California Alliance for Retired Americans (CARA)
- Long Beach Gray Panthers

POLITICAL

- League of Women Voters of California
- Indivisible CA: StateStrong
- Indivisible East
- Inland Empowerment
- Asian Americans and Pacific Islanders for Civic Empowerment
- Orange County Civic Engagement Table
- San Bernardino County Young Democrats
- Mi Familia Vota
- Wellstone Democratic Renewal Club

SOCIAL JUSTICE

- ACLU of Southern California
- A New Way of Life
- Alliance of Californians for Community Empowerment (ACCE)
- Alliance San Diego
- Advancement Project California
- API Forward Movement
- Asian Americans Advancing Justice Los Angeles
- BLU Educational Foundation
- Building Blocks for Kids Richmond Collaborative
- California Calls
- California Immigrant Policy Center
- Californians for Justice
- California Partnership
- Causa Justa/Just Cause (CJJC)
- Central Coast Alliance United for a Sustainable Economy (CAUSE)
- Chinese Progressive Association (CPA)
- Coalition for Humane Immigrant Rights (CHIRLA)
- Coleman Advocates
- Community Coalition
- Communities for a New California (CNC)
- Communities in Schools of Los Angeles
- Courage Campaign
- Dolores Huerta Foundation
- East Bay Alliance for a Sustainable Economy (EBASE)
- East Bay Asian Youth Center
- East Bay for Everyone
- Evolve California
- Fathers & Families of San Joaquin
- Filipino Community Center
- Hmong Innovating Politics
- Khmer Girls in Action
- Inner City Struggle
- Knotts Family Agency
- Ladies of The I.E.

- Latino Equality Alliance
- Latinos United for a New America (LUNA)
- Los Angeles Alliance for a New Economy (LAANE)
- Los Angeles Community Action Network (LA CAN)
- Long Beach Residents Empowered
- Mid-City CAN
- Movement Strategy Center
- Mujeres Unidas y Activas
- Oakland Rising
- Partnership for the Advancement of New Americans (PANA)
- Pillars of the Community
- Progressive Asian Network for Action
- Promesa Boyle Heights
- Parent Voices Oakland
- People Organizing to Demand Environmental and Economic Rights (PODER)
- Policy Link
- Power California
- Public Advocates
- Restore INK
- Safe Return Project
- San Francisco Day Labor Program/La Colectiva de Mujeres
- San Francisco Rising
- The Santa Clara County Wage Theft Coalition
- Silicon Valley Rising
- SOMOS Mayfair
- South of Market Community Action Network (SOMCAN)
- Strategic Action for a Just Economy (SAJE)
- Strategic Concepts in Organizing and Policy Education (SCOPE)
- Tech Equity Collaborative
- Time for Change
- Working Partnerships, USA

ENVIRONMENT

- Asian Pacific Environmental Network (APEN)
- California Environmental Justice Alliance Action
- Center for Climate Change and Health
- Climate Resolve
- T.R.U.S.T. South LA
- T.R.E.E LINK
- The Utility Reform Network

HOUSING

- Burbank Housing
- California Coalition for Rural Housing
- California Housing Partnership
- Community Economics
- Community Housing Improvement Program (CHIP)
- East Bay Asian Local Development Corporation
- East Bay Housing Organizations
- East Los Angeles Community Corporation
- Housing California
- Little Tokyo Service Center
- Non-Profit Housing Association of Northern California (NPH)
- Rural Community Development Corporation of California (RCDDC)
- Sacramento Housing Alliance
- San Francisco Council of Community Housing Organizations
- Southern California Association of Nonprofit Housing (SCANPH)
- William Pickel, Executive Director, Brilliant Corners

EDUCATION

- Parent Teachers Association (PTA) of California
- Common Sense Kids Action
- Grassroots Education Movement Silicon Valley
- Environmental Charter Schools
- Sheri Horn-Bunk, Executive Director, Taft College Foundation
- Martha Matsuoka, Associate Professor Urban & Environmental Policy Institute Occidental College
- Eric Mar, Assistant Professor, Asian American Studies, San Francisco State University
- Charles Flower, Professor San Jose State University, Overfelt High School
- Sue Tatro, Teacher Calero High School
- Leslie Anne Conrotto-Tompkins, English Teacher, Yerba Buena High School
- Elizandro Umana, Student Services Assistant, East LA Community College
- Will Greer, Professor California State University, San Bernardino
- Mojgan Vijeh, CFO, Ann Martin Center
- Barbara Hansen, Retired Educator
- Eileen Barrett, Professor, California State University, East Bay

SMALL BUSINESS

- Klein and Roth Consulting
- Selma Dream
- Charlie's Trees and Crafts
- Petaluma Pie Company
- Long Beach School of Music
- Ali Akbar College of Music
- The Linwood Project
- The Pink Gypsy Bellydance
- Domestic Divas and Dudes
- Kadaya Photography
- Law Office of Joel Freid
- Jost Legal
- Landed, Inc.

OTHER

- California Association of Nonprofits
- Sandra Fluke, Public Interest Attorney

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Approved as to Form and Legality


City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

INTRODUCED BY COUNCILMEMBER NIKKI FORTUNATO BAS

RESOLUTION (1) SUPPORTING THE CALIFORNIA SCHOOLS AND LOCAL COMMUNITIES FUNDING ACT OF 2020, A PROPOSED INITIATIVE FOR THE NOVEMBER 2020 BALLOT THAT WILL AMEND THE STATE CONSTITUTION TO CLOSE A CORPORATE TAX LOOPHOLE BY REASSESSING COMMERCIAL AND INDUSTRIAL REAL PROPERTY ON A ONE TO THREE YEAR BASIS BASED ON A FAIR MARKET VALUE; (2) ENCOURAGING OTHER JURISDICTIONS IN THE REGION TO TAKE SUPPORT POSITIONS ON THE INITIATIVE; AND (3) COMMITTING THE CITY OF OAKLAND TO WORK IN COLLABORATION WITH THE OAKLAND UNIFIED SCHOOL DISTRICT, ALAMEDA COUNTY AND STATE OF CALIFORNIA TO MAXIMIZE RESOURCES FOR OAKLAND PUBLIC SCHOOLS

WHEREAS, The passage of Proposition 13 in California in 1978 marked a turning point away from public investment in education, infrastructure and social services; and

WHEREAS, Proposition 13 rolled back assessed property values to their estimated market value in 1975 and limited annual increases to no more than 2% as long as the property wasn't sold, it capped the property tax rate at 1% of the assessed value for city, county, school and other local governments, draining local revenue, and it mandated that any increase in state taxes would require a two-thirds vote in the Legislature and that any increase in designated or special purpose taxes would require two-thirds voter approval; and

WHEREAS, local property tax revenues quickly declined by about 60% after Proposition 13 took effect and California, which ranked in the top ten states in per pupil spending in the 1960s, had dropped to ranking as 46th in per pupil spending by 2014; and

WHEREAS, the sentiment which led to the passage of Proposition 13 was to help some homeowners, but Proposition 13 also permitted major commercial and industrial properties to avoid reassessment, providing an enormous tax benefit to big businesses and corporations at the expense of vital funding for education, infrastructure and social services; and

WHEREAS, a commercial loophole in the California tax system is the driver of a significant loss in tax revenue and can be corrected by reassessing commercial and industrial real property on a regular basis; and

WHEREAS, a very small number of properties owned by the largest corporations and wealthy investors benefit most from this loophole, and almost 80% of the tax avoidance comes from only about 8% of the properties worth \$5 million or more; and

WHEREAS, the "California Schools and Local Communities Funding Act of 2020" (the "initiative") will amend the California Constitution to close this corporate tax loophole by reassessing commercial and industrial real property on a one to three year basis based on fair market value; and

WHEREAS, the initiative will exempt businesses with 50 or fewer employees from the reassessment and businesses where the owner-operator operates a business on a majority of the real property, if the fair market value of that property is less than \$2,000,000; and

WHEREAS, the initiative will not change the law related to residential properties; and

WHEREAS, estimates by academic researchers at the University of Southern California (USC) in 2017 estimates that commercial and industrial properties in California, when reassessed to current values, will generate an estimated \$11.4 billion annually in new revenues; and

WHEREAS, USC research further shows that a majority of commercial owners already pay close to market value, making the current system inequitable among businesses, benefitting large owners who have held land for a long period; and

WHEREAS, roughly 45% of the revenues will support California's public schools and community colleges, with the balance directed to counties, cities and special districts; and

WHEREAS, a projection (based on new statewide revenues of \$9.1 billion related to 2015 real estate values) estimated the Alameda County share at \$192 million annually, with \$24.6 million estimated for the City of Oakland; and

WHEREAS, the initiative will also provide billions of dollars of funding yearly for cities, counties and special districts in locally-controlled revenues for parks, public safety, housing, infrastructure, health and human services, libraries and the environment; and

WHEREAS, the initiative will improve land use, provide tax relief to small businesses, and level the playing field among businesses; and

WHEREAS, the initiative has been endorsed by the Board of Education of the Oakland Unified School District; now, therefore, be it

RESOLVED: That the Oakland City Council supports the passage of "The California Schools and Local Communities Funding Act of 2020"; and be it

FURTHER RESOLVED: That the Oakland City Council encourages other jurisdictions in the region to also support "The California Schools and Local Communities Funding Act of 2020"; and be it

FURTHER RESOLVED: That the City of Oakland shall work collaboratively with the Oakland Unified School District, Alameda County, and the State of California to maximize resources for Oakland public schools.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council of the City
of Oakland, California