



Legislation Details (With Text)

**File #:** 14-086      **Version:** 1      **Name:** Resolution Supporting Proposition 13 Reform  
**Type:** Staff Report      **Status:** Filed  
**In control:** City Council  
**On agenda:** 3/17/2014      **Final action:** 3/17/2014  
**Enactment date:**      **Enactment #:**  
**Title:** Staff Report for Resolution Supporting Efforts to Reform Proposition 13  
**Sponsors:** City Council  
**Indexes:**  
**Code sections:**  
**Attachments:**

Date	Ver.	Action By	Action	Result
3/17/2014	1	City Council	Received and Filed	

Staff Report for Resolution Supporting Efforts to Reform Proposition 13

**SUMMARY AND RECOMMENDATIONS**

Per direction provided at the February 18, 2014 Council meeting, staff presents for Council consideration the attached resolution supporting efforts to reform Proposition 13 and provide direction to staff.

**BACKGROUND**

At the February 18, 2014 Council meeting, representatives from [Evolve <http://www.evolve-ca.org/city\\_councils?utm\\_campaign=official\\_1&utm\\_medium=email&utm\\_source=evolve>](http://www.evolve-ca.org/city_councils?utm_campaign=official_1&utm_medium=email&utm_source=evolve) requested during public comments that the City Council consider adopting a resolution supporting efforts to seek voter authorization for changes to the property tax limitations imposed by Proposition 13. Specifically, this organization is seeking to allow for the regular reassessment of commercially-zoned properties at market rates, rather than limiting those assessments based on the restrictions imposed by Proposition 13, which was adopted by voters in 1978. Organizers of this effort assert that such a “split roll” also would exempt small businesses. Their stated intention is to develop a coalition of organizations supporting these efforts and subsequently circulate for signatures a draft ballot initiative envisioned for the 2016 statewide ballot. The specific details of this proposed initiative and draft ballot language have not yet been developed.

According to information presented by proponents of this effort, before Proposition 13 passed, 40% of local property tax revenue came from non-residential commercial property. Today, commercial property accounts for 28% of California’s property tax revenue, while home and apartment owners account for 72% of the statewide property taxes. As such, proponents argue that this reform effort will serve to rebalance the property tax burden.

However, opponents of these efforts argue that the longstanding commercial property tax gap is

being rapidly reduced by natural turnover of properties in the market. Additionally, although the proposed draft resolution indicates that “small businesses” would be exempted from these reforms, specific ballot language has not yet been developed, so it is unclear what threshold would be used to determine what qualifies as a small business. Lastly, Proposition 13 is commonly cited as a “third-rail” political issue in California, and efforts to amend this landmark measure inevitably will draw public controversy and heated debate.

To staff’s knowledge, the League of California Cities has not taken a position on these efforts.

### **Fiscal Impacts**

There are no direct fiscal effects associated with adoption of this draft resolution, although the proposed changes to Proposition 13 property tax limitations envisioned by this resolution could have broad ramifications for public sector finance statewide.

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