



## Legislation Text

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**File #:** 20-422, **Version:** 1

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### RESOLUTION of the City of San Leandro City Council to Support Passage of Proposition 15, also known as the California Schools and Local Communities Funding Act of 2020

Whereas, California local public agencies, including cities, counties, schools, and special districts, levy property taxes on property owners based on the value of their property. Property taxes raise around \$65 billion annually for local governments, about \$2 billion of which is attributable to business personal property; and

Whereas, about 60 percent of statewide property tax revenue is allocated to cities, counties, and special districts, while the remaining 40 percent is allocated to schools and community colleges; and

Whereas, county assessors determine the taxable value of property, county tax collectors bill property owners, and county auditors distribute the revenue among local government; and

Whereas, each property owner's annual property tax bill is equal to the taxable value of their property multiplied by their property tax rate. Property tax rates are capped at 1 percent plus smaller voter approved rates to finance local infrastructure. A property's taxable value generally is based on its purchase price. When a property is purchased, the county assessor assigns a value to the property, typically its purchase price. Each year thereafter, the property's taxable value increases by 2 percent or the rate of inflation, whichever is lower. This process continues until the property is sold and again is taxed at its purchase price. In most years, the market value of most properties grows faster than 2 percent per year. As a result, under this system the taxable value of most properties is less than their fair market value; and

Whereas, partially as a result of the current property tax system cities and counties in California have experienced underinvestment and significant budgetary challenges over the past four decades that have impacted the critical services and infrastructure that residents rely upon; and

Whereas, California's current property tax system allows some commercial and industrial properties to avoid regular reassessment because changes in ownership have been hidden from transparent disclosure; and

Whereas, academic researchers at the University of Southern California (USC) demonstrated that a majority of commercial property owners in California already pay close to market value, making the current system inequitable among businesses, benefitting large owners who have held land for long periods of time; and

Whereas, such practices result in millions of dollars of forgone governmental revenue that would otherwise help to support the provision of essential services in local communities; and

Whereas, according to the California Legislative Analyst's Office, Proposition 15, otherwise known as the California Schools and Local Communities Funding Act of 2020, could reclaim up to \$12.5 billion in property tax revenue every year by reassessing commercial and industrial properties at market rates; and

Whereas, if authorized by voters, Proposition 15 would not directly affect property taxes for homeowners or renters because it exempts residential property; and

Whereas, the measure would provide billions of dollars in new locally-controlled property tax funding yearly for cities, counties, and special districts, including potentially over \$8 million in recurring annual revenue for the City of San Leandro once the measure is fully implemented; and

Whereas, the measure provides new tax incentives to spur new investment in small businesses by eliminating the business personal property tax on equipment for California's small businesses; and

Whereas, the measure provides billions for cities, counties, and special districts in locally controlled revenues that could be used for affordable housing, essential services and emergency response, health and human services, libraries, public infrastructure, and more; and

Whereas, the measure also exempts all small business owners whose property is worth less than \$3 million;

Whereas, the measure levels the playing field for businesses and commercial property owners; and

Whereas, now more than ever, in light of the national and state economic crisis precipitated by the COVID-19 global pandemic, California's local communities need additional revenues for their continued provision of services.

NOW THEREFORE, the City of San Leandro City Council hereby RESOLVES that the City Council endorses the successful passage of Proposition 15: the California Schools and Local Communities Funding Act of 2020, a measure on the California ballot in November 2020, and encourages voters in San Leandro and across the State to support the measure and vote for its passage.