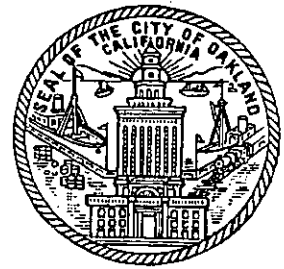


**CITY OF OAKLAND**  
**BILL ANALYSIS**



**Date:** April 8, 2010  
**Bill Number:** 2492  
**Bill Author:** Assembly Member Tom Ammiano

**DEPARTMENT INFORMATION**

**Contact:** Ada Chan  
**Department:** Council Member Rebecca Kaplan  
**Telephone:** (510) 757-5646  
**E-mail:** achan1@oaklandnet.com

**RECOMMENDED POSITION: SUPPORT**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND  
2010 APR 29 PM 7:46

**Summary of the Bill**

Measure would establish Proposition 13 as a split roll tax, reversing the shift in California's property tax burden onto homeowners from business owners by assessing taxes for commercial and industrial property differently from residential.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred.

Existing property tax law specifies those circumstances in which the transfer of ownership interests in a corporation, partnership, limited liability company, or other legal entity results in a change in ownership of the real property owned by that entity, and generally provides that a change in ownership as so described occurs when a legal entity or other person obtains a controlling or majority ownership interest in the legal entity.

Existing law also specifies other circumstances in which certain transfers of ownership interests in legal entities result in a change in ownership of the real property owned by those legal entities.

This bill would instead specify that when ownership interests in a legal entity, as defined, are transferred, the real property directly or indirectly owned by that legal entity has changed ownership in proportion to that portion of the ownership interests in the entity that were transferred.

Item: \_\_\_\_\_  
Rules & Legislation Comte.  
Date xx, 2010

This bill would also provide that all of the real property owned by a legal entity in the state has undergone a change in ownership when over 50% of the ownership interests in that entity have been transferred, as specified.

This bill would also specify, in the case of a publicly traded company, that all of the real property owned by the company in the state has undergone a change in ownership when over 50% of the ownership interests in that company have been transferred.

This bill would establish a rebuttable presumption that, as of January 1, 2011, and on January 1 of each 3rd fiscal year thereafter, all of the real property owned by a publicly traded company in the state has undergone a change in ownership.

This bill would require local assessors to notify a publicly traded company of this presumption and allow an assessee or an assessor to rebut this presumption in a specified manner.

This bill would also require the State Board of Equalization to promulgate regulations to implement these provisions..

**Positive Factors for Oakland**

Increased State funding for schools, parks and other human services.

**Negative Factors for Oakland**

Unknown impact on corporate decision making regarding properties/business locations within California and more specifically urban areas.

**PLEASE RATE THE EFFECT OF THIS MEASURE ON THE CITY OF OAKLAND:**

- Critical** (top priority for City lobbyist, city position required ASAP)
- Very Important** (priority for City lobbyist, city position necessary)
- Somewhat Important** (City position desirable if time and resources are available)
- Minimal or**  **None** (do not review with City Council, position not required)

**Known support:**

None on file

**Known Opposition:**

None On File

**Attach bill text and state/federal legislative committee analysis, if available.**

Respectfully Submitted,

\_\_\_\_\_  
Name  
Director, \_\_\_\_\_ Dept/Agency

Approved for Forwarding to  
Rules Committee

\_\_\_\_\_  
Office of City Administrator

Item: \_\_\_\_\_  
Rules & Legislation Comte.  
Date xx, 2010

FILED  
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OAKLAND  
2010 APR 29 PM 7:47

Approved as to Form and Legality

**DRAFT**

City Attorney

# OAKLAND CITY COUNCIL

RESOLUTION No. \_\_\_\_\_ C.M.S.

Introduced by Councilmember Rebecca Kaplan

**RESOLUTION SUPPORTING ASSEMBLY BILL 2492, AN ACT TO AMEND SECTIONS SECTIONS 62, 64, AND 65.1 OF, AND TO ADD SECTIONS 64.1 AND 64.5 TO, THE REVENUE AND TAXATION CODE, RELATING TO TAXATION WHICH WOULD CHANGE THE REQUIREMENTS FOR REASSESSMENT OF THE VALUE OF COMMERCIAL PROPERTIES.**

**WHEREAS**, the property tax is a vital source of revenue for local governments, providing a basic underpinning of local government and providing revenues which local governments can spend to meet their pressing needs, and,

**WHEREAS**, commercial properties are held in complex structures and sold through complex financial transactions which has meant that many commercial properties avoid undergoing "a change of ownership" as required by the constitution for reassessment, and

**WHEREAS**, state law which defines the term "a change of ownership" has permitted many actual changes in ownership to avoid reassessment, and made it very difficult for county assessors to fully pursue real changes in ownership because of the loophole-ridden nature of the requirements in state law, and

**WHEREAS**, the ability by commercial property to avoid reassessment under current state law has cost local governments (city/county/) many millions of dollars in loss of property tax which are vitally necessary for critical public services, and,

**WHEREAS**, the arbitrary nature of the requirements has disadvantaged some businesses in relation to others, so that similarly situated businesses may have been reassessed while others have not, Therefore be it

**RESOLVED:** The City of Oakland urges support for AB 2492 (Ammiano), which would provide that if a cumulative 50% plus 1 of a property changes ownership, that a change of ownership would be recorded and the property would be reassessed, and

**BE IT FURTHER RESOLVED** that our elected representatives in Sacramento be notified of the benefits of this bill to the City of Oakland.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 20\_\_\_\_\_

**PASSED BY THE FOLLOWING VOTE:**

AYES - BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT BRUNNER

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California

**ASSEMBLY BILL**

**No. 2492**

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**Introduced by Assembly Member Ammiano**

February 19, 2010

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An act relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2492, as introduced, Ammiano. Property taxation: change in ownership.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred. Existing property tax law specifies those circumstances in which the transfer of ownership interests in a corporation, partnership, limited liability company, or other legal entity results in a change in ownership of the real property owned by that entity, and generally provides that a change in ownership as so described occurs when a legal entity or other person obtains a controlling or majority ownership interest in the legal entity.

This bill would, pursuant to legislative findings and declarations, state the intent of the Legislature to enact a program to specify those circumstances under which nonresidential commercial and industrial property undergoes a change in ownership, to ensure that all real property is assessed at fair market value when that real property undergoes a change in ownership.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

3 (a) For ad valorem property taxation purposes, the California  
4 Constitution generally limits annual increases in the assessed  
5 taxable value of real property to 2 percent of the property's adjusted,  
6 base year value, but requires that real property be reassessed at its  
7 full cash value when that real property undergoes a change in  
8 ownership.

9 (b) These rules provide a necessary protection for real property  
10 owners when land values rise more rapidly than income.

11 (c) Because of difficulties in identifying changes in ownership  
12 of certain *nonresidential commercial and industrial properties*,  
13 these properties often escape reassessment at full market value  
14 upon a change in ownership.

15 (d) As a result of these assessment anomalies, despite rapid  
16 economic growth during the 1990s which increased the value of  
17 nonresidential commercial and industrial properties, the share of  
18 real property taxes paid by nonresidential commercial and industrial  
19 property owners decreased, while the share of real property taxes  
20 paid by residential property owners (e.g. homeowners) increased.

21 (e) Failure to capture the rising land values of nonresidential  
22 commercial and industrial properties that have undergone a change  
23 in ownership has a range of negative consequences, including, but  
24 not limited to:

25 (1) Hampering the ability of local governments to build new  
26 infrastructure and provide vital services.

27 (2) Imposing a disproportionate property tax burden on newly  
28 constructed properties when compared to existing properties.

29 (3) Encouraging local governments to foster sales tax-generating  
30 retail development rather than fostering job-creating investments  
31 such as manufacturing.

32 (f) Therefore, it is the intent of the Legislature to enact a  
33 program to specify those circumstances under which nonresidential  
34 commercial and industrial property undergoes a change in  
35 ownership, to ensure that all real property is assessed at fair market  
36 value when that real property undergoes a change in ownership.

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