

Board Office Use: Legislative File Info.	
File ID Number	15-1377
Introduction Date	6/24/2015
Enactment Number	15-1180
Enactment Date	6/24/15



OAKLAND UNIFIED
SCHOOL DISTRICT

Community Schools, Thriving Students

Memo

To Board of Education

From Jacqueline P. Minor, General Counsel

Board Meeting Date June 24, 2015

Subject Supporting Senate Constitutional Amendment 5 sponsored by Senator Hancock to impose regular and fair reassessment of commercial and industrial property to market value while protecting small businesses and maintaining Proposition 13 protections for residential properties including homeowners and renters

Action Requested **Adoption by the Board of Education of Resolution No. 1415-1184 supporting Senate Constitutional Amendment 5**

Background and Discussion

According to the Fact Sheet developed by sponsors of the constitutional amendment, Senators Hancock and Mitchell, SCA-5 will:

- 1) Reduce revenue losses due to under-assessment of commercial property by as much as \$9 billion annually.
- 2) Help stop the tax shift to homeowners from commercial property: in 1978, residential property paid 55% of property taxes, businesses paid the rest: today, residential property pays 72% while commercial, industrial and agricultural property pays 28%.
- 3) Reduce incentives to increase other local business taxes by restoring the commercial property tax base.
- 4) Restore fair competition among commercial properties so that owners pay the same share of taxes for the same services without regard for when they purchased the property..
- 5) Reassess commercial and industrial property to fair market value annually, after phase-ins.
- 6) Exempt business personal property such as business equipment up to \$500,000, taking 90% of businesses off the personal property tax rolls. This benefits small businesses whether they own or rent.
- 7) Allocate the increased revenue within each county according to current property tax allocation among local governments, including school districts, community colleges, cities, counties and special districts.
- 8) For the school share of the property tax, the revenue would be pooled statewide in the Local School and Community College Property Tax Fund, counted over and above the Proposition 98 guarantee, and distributed according to the Local Control Funding Formula.



- 9) The measure includes strict provisions to prevent the funding for schools from being used for any other purpose.
- 10) This approach assures that this additional funding is new revenue to schools and community colleges.
- 11) It addresses issue of equalization of school funding to avoid constitutionally prohibited disparities in funding per student.

Recommendation

Adoption by the Board of Education of Resolution No. 1415-1184 supporting Senate Constitutional Amendment 5

Fiscal Impact

N/A

Attachment

**Resolution No. 1415-1184
Fact Sheet**

RESOLUTION NO. 1415-1184
OF THE
BOARD OF EDUCATION OF
OAKLAND UNIFIED SCHOOL DISTRICT

Supporting Senate Constitutional Amendment 5 ("SCA- 5") To Impose Regular And Fair Reassessment Of Commercial And Industrial Property To Market Value While Protecting Small Businesses And Maintaining Proposition 13 Protections For Residential Properties Including Homeowners And Renters

WHEREAS, voters in the state of California approved Proposition 13 in 1978; and

WHEREAS, since then, under-assessment of commercial and industrial properties has contributed to a tax shift that has substantially increased the share of property taxes being paid by owners of residential properties; and

WHEREAS, since then, the residential share of assessed value statewide has increased from 55% to 72% of the total while the commercial, industrial, and agricultural share of assessed value has decreased from 45% to just 28%; and

WHEREAS, the current system of assessing commercial and industrial properties has had the unintended consequence of encouraging sprawl and discouraging "smart growth," working against more efficient use of scarce resources such as energy, water, and land; and

WHEREAS, if commercial and industrial properties pay their fair share of taxes, more money will be available for our public schools, which remain funded well below the national average; and

WHEREAS, public schools in California face challenges in providing an equitable and fair education for a student population with vast differences in language, poverty, parental education level, and other social, educational, and economic factors; and

WHEREAS, regularly reassessing non-residential commercial property would, according to an analysis of data by researchers at USC Program for Environmental and Regional Equity, generate \$9 billion in additional revenue for public schools and other public services by 2019-20; therefore

NOW BE IT RESOLVED, that the Oakland Unified School District Governing Board supports Senate Constitutional Amendment (SCA) 5, which would impose regular and fair reassessment of commercial and industrial property to market value while protecting small businesses and maintaining Proposition 13 protections for residential properties including homeowners and renters; and

NOW BE IT FURTHER RESOLVED, that

1. tax revenues generated by modernizing how commercial property is reassessed benefit local schools and not accrue as a State savings or be counted towards Proposition 98 or Proposition 2;
2. school districts with higher proportions of low-income and English learner students and foster youth will receive additional funds to provide more or better services to those students, in accordance with the principles established through the Local Control Funding Formula; and
3. schools, community colleges, counties, cities, and special districts appropriately spend any new revenues with public disclosure and transparency.

PASSED AND ADOPTED by the Board of Education of the Oakland Unified School District this 24th day of June, 2015, by the following vote, to wit:

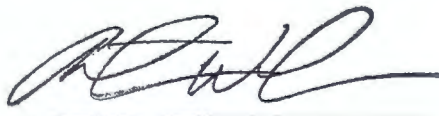
AYES: Aimee Eng, Jumoke Hinton Hodge, Nina Senn, Shanthi Gonzales, Roseann Torres
Vice President Jody London, President James Harris

NOES: None

ABSTAINED: None

CERTIFICATION

I, Antwan Wilson, Superintendent and Secretary of the Board of Education of the Oakland Unified School District, Alameda County, State of California, do hereby certify that the foregoing Resolution was duly approved and adopted by the Board of Education of said district at a meeting thereof held on the 24 day of June, 2015 with a copy of such Resolution being on file in the Administrative Office of said District.

A handwritten signature in dark ink, appearing to read 'Antwan Wilson', is written over a horizontal line.

Antwan Wilson

**SCA5 (Hancock/Mitchell): Reforming Inequities in Commercial Property Tax
Annual Reassessment of Commercial Properties
June 9, 2015**

SCA5 (Hancock/Mitchell) eliminates the inequities, loopholes and negative economic impacts of the current acquisition-value assessment system. SCA 5 does the following:

- ✓ Reduces revenue losses due to under-assessment of commercial property by as much as \$9 billion annually.
- ✓ Helps stop the tax shift to homeowners from commercial property: in 1978, residential property paid 55% of property taxes, businesses paid the rest; today, residential property pays 72% while commercial, industrial and agricultural property pays 28%.
- ✓ Reduces incentives to increase other local business taxes by restoring the commercial property tax base.
- ✓ Restores fair competition among commercial properties so that owners pay the same share of taxes for the same services without regard for when they purchased the property. Half of business property is at or close to market value; a small minority has figured out to game the system to escape paying their fair share for the last 30-40 years.
- ✓ Remove perverse incentives that discourage new investment and smart growth.

SCA5 does the following:

- Reassesses commercial and industrial property to fair market value annually, after phase-ins.
- Exempts business personal property such as business equipment up to \$500,000, taking 90% of businesses off the personal property tax rolls. This benefits small businesses whether they own or rent.
- Provides for a two-step phase-in of annual re-assessment:
 - In the first year, assessors would re-assess the half of commercial properties with the oldest assessments, including assessments dating back to 1975-76. This first tranche of re-assessed properties, those facing the larger increases, would have a three-year phase-in before paying their taxes based on the full assessed value.
 - In the second year, assessors would re-assess the other half of properties, almost all of which are at or near market value today. This second tranche would get a two-year phase-in so that by the third year all commercial properties would be re-assessed annually.
- Provides an additional phase-in for five years for smaller businesses that own their own property (worth less than \$3 million) which are operated on the site owned by the small business owner. For longtime small businesses, this gives them time to adjust.
- Allocates the increased revenue within each county according to current property tax allocation among local governments, including school districts, community colleges, cities, counties and special districts.

- For cities, counties and special districts, the funding is distributed according to existing property tax allocation formulas, allowing local communities to re-invest in local services, including public safety, infrastructure, health care, mental health, parks, libraries and other community priorities.
- For the school share of the property tax, the revenue would be pooled statewide in the Local School and Community College Property Tax Fund, counted over and above the Proposition 98 guarantee, and distributed according to the Local Control Funding Formula.
 - The measure includes strict provisions to prevent the funding for schools from being used for any other purpose.
 - This approach assures that this additional funding is new revenue to schools and community colleges.
 - It addresses issue of equalization of school funding to avoid constitutionally prohibited disparities in funding per student.
- Provides funding for direct costs of county assessors in implementing the measure, subject to a vote of the board of supervisors. These costs would be borne by the county, cities and special districts, but not school districts, consistent with the current practice.
- Reimburses the state for state revenue losses to both the general fund and Proposition 63 revenues resulting from higher personal income tax and corporate income tax deductions for property taxes paid by commercial and industrial property owners.
- Adds on-line transparency and accountability for local governments and schools similar to those included in Proposition 30.