

Annual KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY REPORT

21st annual Kosmont-Rose Institute Cost of Doing Business Survey gathers business fees and a variety of tax rates from 305 selected U.S. cities, focusing on the states where business relocation is the most active.

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Claremont, CA. [November 14, 2016] - Claremont McKenna College's Rose Institute of State & Local Government today released the 21st annual *Kosmont-Rose Institute Cost of Doing Business Survey*. The Rose Institute gathered data on municipal and county taxes, fees, and demographics from 305 selected cities in the Western United States. The *Survey* takes a close look at the cost of doing business in California and eight other states that companies might consider as alternatives to California (Arizona, Colorado, Nevada, New Mexico, Oregon, Texas, Utah, and Washington). 256 of the cities profiled for the survey are in California. The 2015/2016 *Survey* contains updated data from 174 cities, collected by Rose Institute researchers. Rankings for each city are divided into one of five convenient "Cost Ratings" groups: Very Low Cost (\$), Low Cost (\$\$), Average Cost (\$\$\$), High Cost (\$\$\$\$), and Very High Cost (\$\$\$\$\$).

Highlights from the 2015/16 Survey

Most Expensive Cities

- Of the 20 most expensive cities surveyed, 13 are located in California; 9 are in Southern California and 4 are in the San Francisco Bay Area.
- Los Angeles, Portland and San Francisco are the three most expensive metropolitan areas in the western United States.

Least Expensive Cities

- Texas and Washington states do well in the Survey: Six of the 20 least expensive cities are in Texas and five are in Washington.
- In terms of local costs, Texas stands out as a low cost state, with six cities on the list of twenty least expensive Western cities surveyed.
- Both of the least expensive cities in California, Brea and Lake Forest, are located in Southern California.

CA a High Cost State: Going Higher in 2017 as Voters Approve Hundreds of New Local Taxes

The November 2016 national election included 427 local tax and bond measures in California, of which 343 passed, an astonishing 80% pass rate. Final counts may slightly change approval results but the trend is inescapable; costs are going up in most cities and counties in California, now the fifth largest economy in the world. In total, 2016 election results represent a 56% increase in the number of approved tax measures from the prior election in 2014.

Leading the charge on new taxes are 50 approved measures to increase local sales tax rates, 37 approved measures to impose local taxes on marijuana, 22 approved measures to increase or extend parcel taxes, 15 approved measures to increase sales tax for special purposes (mostly for transportation), and 12 measures to increase Transient Occupancy (hotel) taxes. On the “sweet” side, 3 measures on the taxation of sugared beverages were approved in Albany, San Francisco, and Oakland.

Costs for Business to Rise as well as California Moves To a “Green” Economy

“California ranked last in Chief Executive Magazine’s annual Best & Worst States for Business survey for 10 years straight, and it’s about to become more costly for business across the board,” observes Larry Kosmont CRE, President of Kosmont Companies, and founding publisher of the *Kosmont-Rose Institute Cost of Doing Business Survey*.

“Moving towards a greener economy has become a major focus in the Golden State with numerous statutes encouraged and then signed into law by Governor Brown.” The approval of SB 32 mandates that the Air Resources Board ensures current statewide greenhouse gas emissions be reduced 40% below the levels produced in 1990, with a deadline of 2030. “This puts the State on an extraordinarily aggressive path to achieve significant carbon footprint reduction,” states Kosmont.

If SB 32 is the regulatory green “club,” the carrots might very well be the newly approved tax increment districts called Enhanced Infrastructure Districts (EIFDs) and Community Revitalization and Investment Authorities (CRIAs). When California terminated Redevelopment Agencies in 2012, it lost the use of tax increment, its most competitive economic development financing program available in all other states but a scan few. After a 3 year vacuum, the State legislature restored local tax increment districts.

Specifically, EIFDs and CRIAs enable local cities and counties to create districts that invest in public-private transactions and concurrently fund infrastructure projects that achieve the State’s sustainability agenda on the way to a greener economy. The State supports local government investment in infrastructure, transit priority projects, resource management such as ground water conservation, and trip reducing private projects. These new districts give priority to partnerships between counties and cities and special districts, because more tax increment funds are available for projects when multiple local public agencies contribute their tax increment share to the approved district.

No Escaping “Green” Economy Legislation

California’s new climate-reduction requirements are to be implemented across the board, imposing drastic reduction of greenhouse gas emission levels on all sectors including business, cars, utilities and government. These requirements also directly impact real estate. Per SB 350, by 2020, 33% of energy being sold to all buildings over 50,000 square feet must come from renewable sources. By 2030, that increases to 50% from renewable sources.

Then there is AB 197, which directly involves the State Legislature in California’s Air Resources Board processes, by requiring reports on the emission levels of greenhouse gasses, criteria pollutants, and toxic air contaminants for the entire State broken down by County.

Business associations across the State have begun to vocalize their views on California’s race to green. The California Trucking Association and California Chamber of Commerce have expressed that existing regulations are already very expensive and the new laws only pile on operating and production costs. “The State’s march to sustainability is taking on every business and government operation. This is an all-encompassing effort that will cause costs to go up for public, private and non-profit operations. The State may achieve sustainability and greenhouse gas reduction, but it will come at a cost to all sectors,” states Kosmont.

Based on the 2015/2016 Kosmont-Rose Cost of Doing Business Survey, California cities continue to rank among the most expensive cities in the country to do business, and it is unlikely that California will relinquish its status as a “high cost” State anytime soon. The State does appear committed to achieving cleaner air and perhaps becoming the environmentally “greenest” State ...*someday*.

The Twenty Most Expensive Cities in the West in 2015

CityName	State	Retail Fee Total	Ad Valorem Property Tax	Sales
BELL	CA	\$4,386.00	1.55%	9.00%
BELLINGHAM	WA	\$17,000.00	2.69%	8.70%
BERKELEY	CA	\$12,000.00	1.22%	9.50%
BEVERLY HILLS	CA	\$12,500.00	1.23%	9.00%
CHANDLER	AZ	\$50.00	3.15%	7.80%
CULVER CITY	CA	\$10,060.00	1.08%	9.50%
EL SEGUNDO	CA	\$13,048.00	1.24%	9.00%
GLENDALE	AZ	\$50.00	3.49%	9.50%
INGLEWOOD	CA	\$11,022.00	1.41%	9.50%
LOS ANGELES	CA	\$13,200.00	1.22%	9.00%
MONTEREY	CA	\$12,041.00	1.05%	8.62%
OAKLAND	CA	\$12,000.00	1.41%	9.50%
POMONA	CA	\$5,099.50	1.20%	9.00%
PORTLAND	OR	\$36,500.00	2.32%	0.00%
SAN BERNARDINO	CA	\$7,548.75	1.34%	8.00%
SAN FRANCISCO	CA	\$13,500.00	1.19%	8.75%
SANTA MONICA	CA	\$12,500.00	1.14%	9.50%
SEATTLE	WA	\$21,590.00	1.29%	9.50%
TACOMA	WA	\$15,390.00	1.72%	9.50%
TUCSON	AZ	\$25.00	4.01%	8.10%

The Twenty Least Expensive Cities in the West in 2015

City Name	State	Retail Fee Total	Ad Valorem Property Tax	Sales
ABILENE	TX	\$0.00	2.32%	9.50%
BREA	CA	\$500.00	0.76%	8.00%
CORPUS CHRISTI	TX	\$0.00	2.56%	8.25%
DALLAS	TX	\$0.00	0.80%	8.25%
EUGENE	OR	\$0.00	1.50%	0.00%
EVERETT	WA	\$1,000.00	1.00%	9.50%
FEDERAL WAY	WA	\$50.00	1.25%	9.50%
FORT WORTH	TX	\$0.00	0.09%	8.25%
GRESHAM	OR	\$469.00	1.62%	0.00%
HENDERSON	NV	\$5,600.00	1.01%	8.10%
HOUSTON	TX	\$0.00	2.68%	8.25%
KENT	WA	\$717.50	1.55%	9.50%
LAKE FOREST	CA	\$0.00	1.04%	7.75%
LAS VEGAS	NV	\$5,600.00	1.15%	8.10%
OGDEN	UT	\$987.41	1.00%	6.85%
PLANO	TX	\$0.00	2.45%	8.25%
RENO	NV	\$7,545.00	0.96%	7.72%
SPARKS	NV	\$10,070.00	1.27%	7.72%
SPOKANE	WA	\$2,060.00	1.42%	8.70%
YAKIMA	WA	\$1,285.20	1.34%	8.20%

To learn more about Kosmont Companies, use the following URL: <http://www.kosmont.com/>

For more information on the Rose-Institute and the Cost of Doing Business Survey, use the following URL: <http://roseinstitute.org/>