[Urging the California State Legislature to Pass Assembly Bill 2372 (Ammiano and Bocanegra)]

Resolution urging the California State Legislature to pass Assembly Bill 2372 introduced by Assemblymembers Ammiano and Bocanegra, that will clarify the definition of "change of ownership" in current law for commercial property to prevent cases where 100% change of ownership occurs, but reassessment is avoided.

WHEREAS, The state's current system for assessing and taxing commercial and industrial property is riddled with loopholes, providing property owners with innumerable ways to structure change of ownership transactions to avoid paying higher taxes; and

WHEREAS, In San Francisco the tax burden on residential property owners has increased from 56% to 71% since the passage of proposition 13, while the burden on commercial property owners in San Francisco has decreased by 12%; and

WHEREAS, Commercial property is held in many complex ways (limited liability corporations, limited partnerships, real estate investment trusts, family trusts, publicly traded corporations, etc.) it is often difficult to identify a "change of ownership" under current law, and very easy to avoid a "change of ownership" even when a sale occurs that should trigger a reassessment; and

WHEREAS, Current law allows billions of dollars of valuable business property to be vastly under assessed, creating great differences in taxes paid among property owners, resulting in inadequate funding of local governments, schools and infrastructure projects; and

WHEREAS, Current law requires that commercial properties be taxed on their full market value if a "change of ownership" occurs. "A change of ownership" triggers reassessment of property for property tax purposes; and
WHEREAS, Current law says that a “change of ownership” does not occur unless one owner acquires more than 50% of a property; and

WHEREAS, Loopholes in existing law have not triggered reassessment, in some cases, even if 100% of property has changed hands; and

WHEREAS, As reported by the California Tax Reform Association in a 2010 report, reviews of private equity buyouts and bank mergers point to several examples where it has been discovered that huge “changes of ownership” in major properties occurred which have gone without reassessment; and

WHEREAS, Assembly Bill 2372 (AB 2372), sponsored by Assembly Member Tom Ammiano, would require commercial properties to be reassessed and taxed on their full market value if 90% or more of a property is cumulatively sold or transferred over a three year period; and regardless, of how many parties are involved or whether any one party acquires more than 50% of ownership interest; and

WHEREAS, AB 2372 ensures that county assessors are provided with the information they need to discover “changes of ownership;” and

WHEREAS, AB 2372 clarifies “change of ownership” in cases when stocks are used, and

WHEREAS, AB 2372, ensures that violators are adequately penalized for failing to comply; now, therefore, be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco hereby urges the California State Legislature to pass AB 2372.
Resolution urging the California State Legislature to pass Assembly Bill 2372, introduced by Assemblymembers Ammiano and Bocanegra, that will clarify the definition of "change of ownership" in current law for commercial property to prevent cases where 100% change of ownership occurs, but reassessment is avoided.

June 10, 2014 Board of Supervisors - ADOPTED
Ayes: 10 - Avalos, Breed, Campos, Chiu, Cohen, Kim, Mar, Tang, Wiener and Yee
Excused: 1 - Farrell

I hereby certify that the foregoing Resolution was ADOPTED on 6/10/2014 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board