

# CBPA Weekly eUPDATE

*Another benefit of CBPA membership*

Friday March 22, 2019

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## **SPECIAL ELECTION SENATE DISTRICT 1 NEXT WEEK**

Tuesday is a very special day for the Commercial, Industrial, and Retail Real Estate Industry as one of our very own has stepped-up, thrown his hat in the ring, and is asking for your vote!

Our very own Rex Hime stands for election this coming Tuesday in the special election primary to fill the California Senate District 1 seat. Rex has been the voice of commercial real estate for over thirty years outside the Capitol – if all goes well, he will be able to bring his expertise into the Capitol.

Rex is the only candidate that worked for Ronald Reagan, is a veteran, and actually worked to pass Proposition 13 and fought to protect it since 1978.

Let's hope Rex gets added to the team in Sacramento! There is still time to help -- learn more [here](#).

Go Rex Go!

## **2020 SPLIT ROLL MEASURE MUST BE DEFEATED**

If we are lucky enough to have Rex go to the Senate, we will gain a statewide warrior to battle split roll property tax. Here is a recent article he penned on the topic. Please share with tenants, client, members and friends:

Proposition 13 has been protecting taxpayers in California since 1978. This measure created by Howard Jarvis is one of the only protections that you have against unimpeded increased in your property taxes – and now it is under serious threat.

Californians are some of the most heavily tax-burdened in the country. Now, special interests want to raise taxes by another \$11 billion through this measure, despite record-high revenue, record-high per-pupil spending and \$17 billion in budget reserves. A split roll property tax increase isn't needed and will just make it more difficult to do business in California.

For years public employee unions and far-left wing advocacy groups have wanted to dismantle Proposition 13 in hopes of increasing your taxes to increase revenue for their members and pet spending projects. Those groups have gathered enough signatures to place a measure on the ballot in November 2020.

One of the ONLY protections property owners in this state has is under serious threat and for thirty years – and now -- I remain one of the primary people standing to fight back against this outrageous tax increase.

Under the 2020 proposal, Prop. 13 will be undone by mandating that all non-residential properties be reassessed to 2020 values and be reassessed every three years thereafter. Commercial property will lose certainty about future tax liabilities and one can only imagine the impact and cost to long time property owners that will see massive adjustments.

The proponents of this effort have stated that dismantling Prop 13 will result in an \$11 billion tax increase on California's property owners and employers.

Aside from the direct impact on properties, the State's own Legislative Analyst's office has warned that the proposal will introduce volatility into the state's funding stream that puts everything from school funding to support and health programs for the elderly at risk.

Property taxes have been a reliably predictable revenue source for the state since prop 13 passed which allows for some predictability in budgeting and a reliable revenue stream. The greediness of those that want to transfer property tax revenue to their own pockets threatens a system that has worked for more than 40 years!

As one of the longest standing taxpayer advocates in the state, I am coordinating an effort by taxpayer advocates and business groups alike to implement a statewide strategy and defeat this measure. The campaign will be very costly and will take the efforts of many, but the costs of this tax are much greater. Split roll inflicts a mortal wound on Prop 13 protections for all property owners and must be stopped.

*Rex S. Hime has been protecting CA taxpayers his entire career. He has served as the President & CEO of California Business Properties Association for 35 years.*

## **SPLIT ROLL –TEACHERS FULLY ENGAGING IN THE BATTLE**

And the stakes are higher than ever! This story from Mother Jones is interesting and ominous as it shows a stepped-up presence by Teachers' Unions in support of the Split Roll Property Tax initiative that has qualified for the November 2020 ballot.

"The recent strikes in Los Angeles and Oakland are over, with teachers winning raises and calls for checks on charter schools, among other things, in negotiations with their school districts. But an even bigger statewide battle—fighting back Proposition 13, the four-decade-old ballot measure that has stripped California of much-needed property tax revenue—is just kicking into gear."

Although not unexpected, this is another clear sign that the coming battle to raise your property taxes by \$11B is real. Are you taking the threat serious? Have you thought about contributing to your defense? Contact us or [click here](#) to learn how you can contribute.

[Click here](#) to read the full Mother Jones story.

## **BILLS SEEKS PEDESTRIAN ACCESS TO SHOPPING MALLS**

We are closely working with the author of **AB 1139** (Boerner-Horvath; D-Encinitas) who is trying to resolve an issue we see up and down the state – how to provide better pedestrian access to retail properties. The initial language of the bill tied the issue to building code but after talking the Assemblymember about unintended consequences of that first measure they have shifted the bill to be part of the redevelopment process.

Pedestrian access to retail properties can be a tricky issue if there is not city or county pedestrian infrastructure to tap into and/or if an adjacent neighborhood is concerned about the access. Ms. Boerner-Horvath has been very receptive of learning about the issue and has asked our industry to help work through this problem. We are currently and actively doing that.

This is an important issue that we want to help address; but we also don't want to unintentionally create an impediment for delivering retail projects and/or providing unnecessary litigation hooks.

The current language of the bill is above, and we are asking members for ideas on creative ways to deal with pedestrian access. Case studies and examples of working through issues with a local government would be appreciated.

### **ANTI-ARBITRATION JOB KILLER MOVES FORWARD**

The Assembly Judiciary Committee this week approved AB 51 (Gonzalez; D-San Diego) a bill that seeks to prohibit arbitration of labor and employment claims as a condition of employment. The CalChamber has tagged this legislation with its “Job Killer” moniker and we are working with them and a coalition of employer groups to push back on this legislation.

AB 51 creates a significant cost increase on employers as a result of more litigation and the expense of delayed dispute resolutions. The bill also proposes to add a new private right of action under the Fair Employment and Housing Act (FEHA) and exposes employers to criminal liability for violations.

The bill next goes to Assembly Appropriations and we will continue to fight and keep you posted.

### **REAL ESTATE BROKERAGE FIRMS – USE OF LLC**

On behalf of the commercial real estate industry we California Business Properties is pleased to be working with Assemblymember Tom Daly (D-Anaheim) on AB 687 a bill to allow limited liability companies (LLC) to operate as a real estate broker.

Real estate broker licensing was not extended to LLCs when other types of licensing were extended to LLCs because at that time our industry standard was to operate as corporations and partnerships and our members had little or no familiarity or experience with LLCs. Over time that has shifted and now many companies within the real estate industry use LLCs extensively to hold and operate real property. AB 687 updates the statute to reflect that evolution in the industry.

Enabling brokerage firms to form as an LLC will allow greater flexibility in management and operations which will be particularly helpful for smaller firms and those with an in-house broker. This comports with the less formal operations of smaller businesses. AB 687 also will enable a savings of both time and costs for these firms as operating as an LLC means more streamlined entity reporting and filing requirements than a corporation.

Finally, AB 687 will simplify taxation at the entity level as gains and losses are passed through and taxation occurs at the individual owner level. Although Subchapter S corporations do offer the same income tax pass-through feature, limitations on number and types of owners and other restrictions make the Subchapter S vehicle less readily available.

Under AB 687, LLCs would not receive any favored treatment (over corporations) as to broker licensing. LLC licensees would have the same filing requirements as corporate licensees with respect to licensing; LLC licensees would have the same insurance requirements as corporate licensees; and LLCs would pay property

taxes on real property owned at the same rates and using the same valuation principles applicable to corporate real estate owners.

We will keep you posted on AB 687's progress and thank Assemblymember Daly for working with us on this measure.

## **CBPA 2019 CALENDAR**

March 28, 2019

CBPA Industrywide Leg Meeting

June 11 – 12, 2019

California Commercial Real Estate Summit

Sacramento

December 5 – 6, 2019

Strategic Issues Conference

Napa Valley