

Executive Summary

I. Introduction

The *2006 Kosmont-Rose Institute Cost of Doing Business Survey* analyzes fees, taxes, and economic incentives and programs in 398 cities nationwide. This year's *Survey* features 26 new Southern California cities, a more complete and useful Transportation Amenities section, and an updated profile format.

The *Survey*, in its twelfth year of publication and its fourth year as the *Kosmont-Rose Institute Cost of Doing Business Survey*, offers real estate professionals, businesses, city and county staff, business and economic associations, and others who need to evaluate general business costs and specific project costs or make relocation decisions, the opportunity to compare the cost of doing business in municipalities nationwide.

The *Survey* rates each city as Very Low Cost (\$), Low Cost (\$\$), Medium Cost (\$\$\$), High Cost (\$\$\$\$), or Very High Cost (\$\$\$\$\$). This year's *Survey* identified 64 Very Low Cost (\$) Cities, 79 Low Cost (\$\$) Cities, 111 Medium Cost (\$\$\$) Cities, 81 High Cost (\$\$\$\$) Cities, and 63 Very High Cost (\$\$\$\$\$) Cities.

II. Overview of Major U.S. Cities

For the third consecutive year, the highest cost city in which to conduct business is Philadelphia, PA. The *Survey's* lowest cost city this year is Cheyenne, WY. **Chart 1** presents a selection of U.S. cities in each rating category. This chart provides an overview of the types of cities the *Survey* features as well as what cost ratings these cities receive.

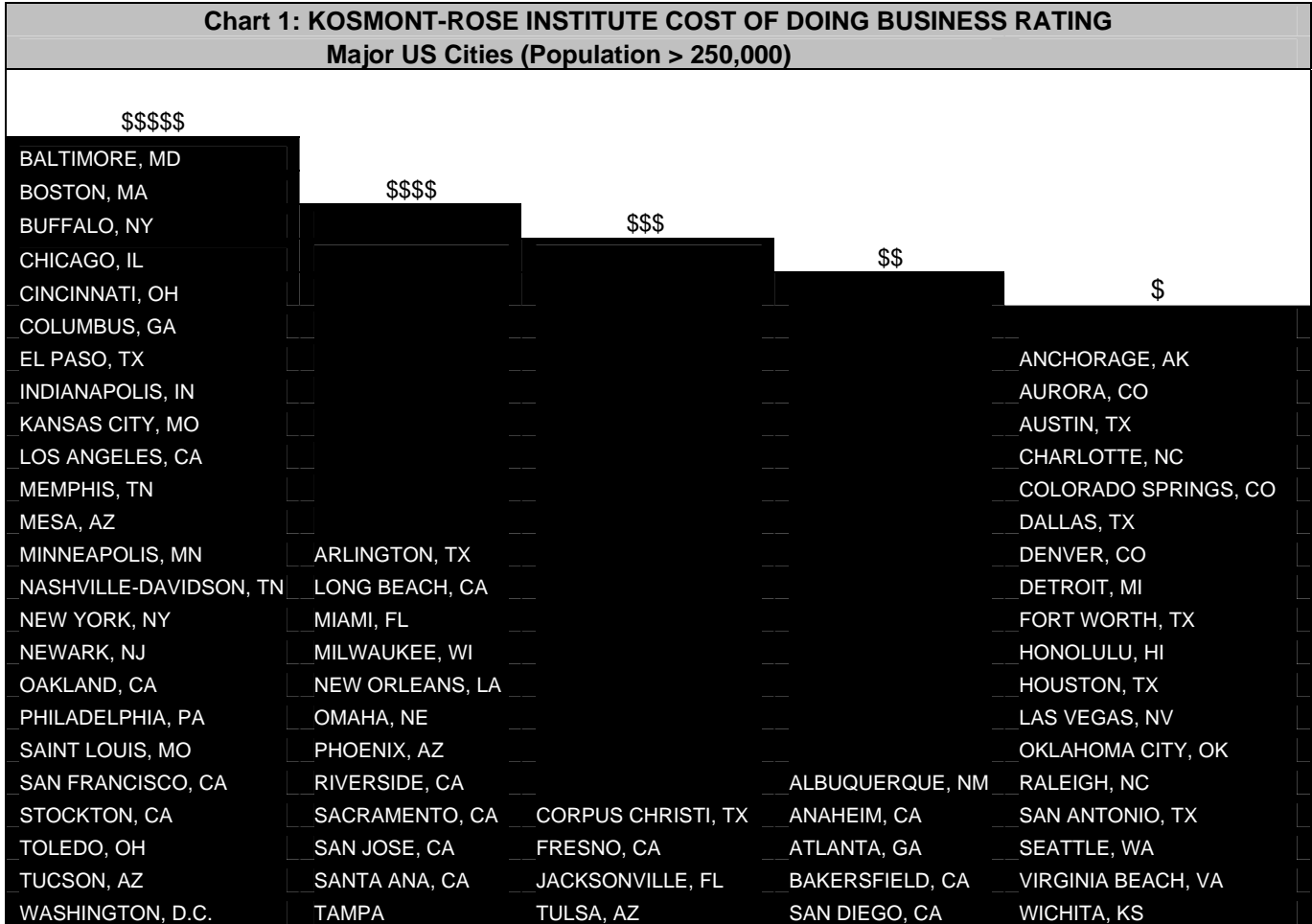
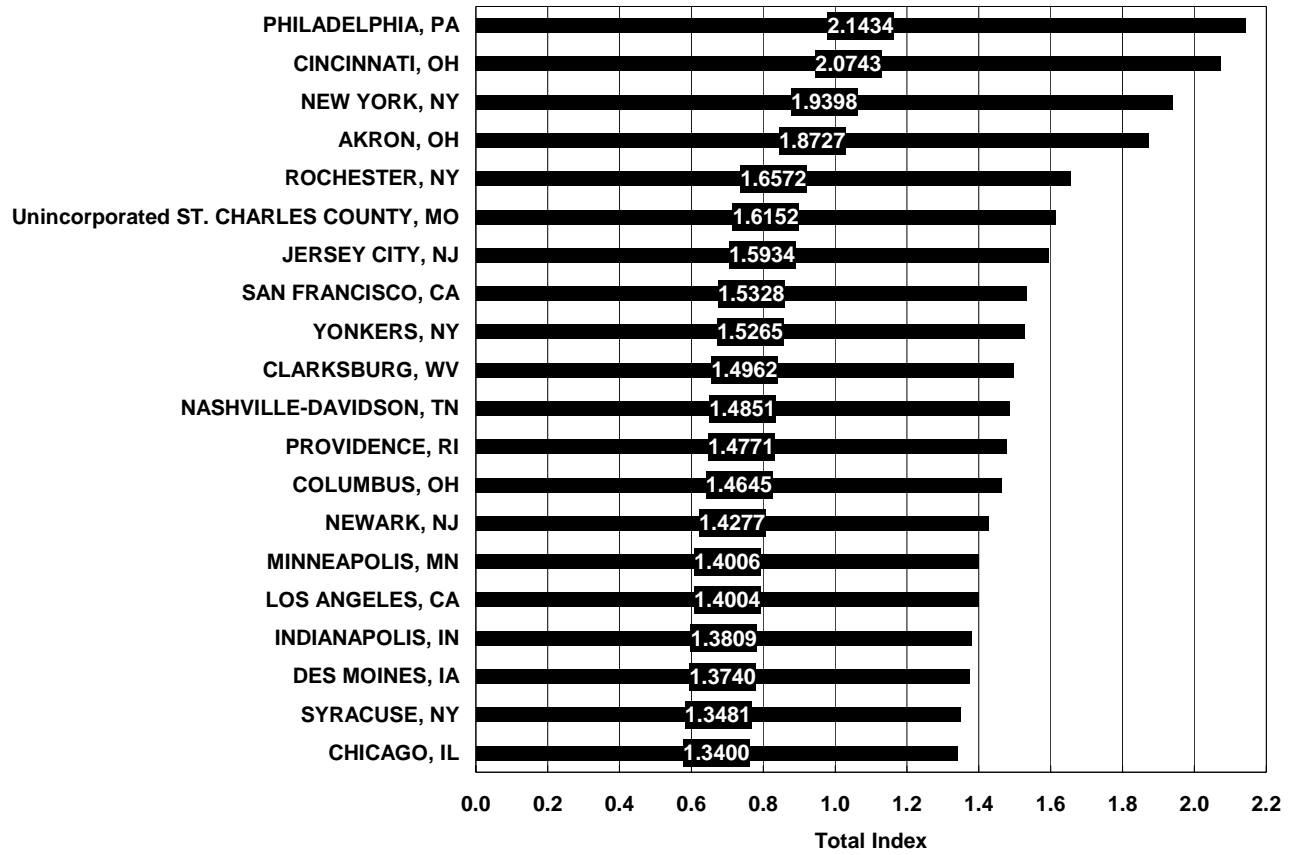


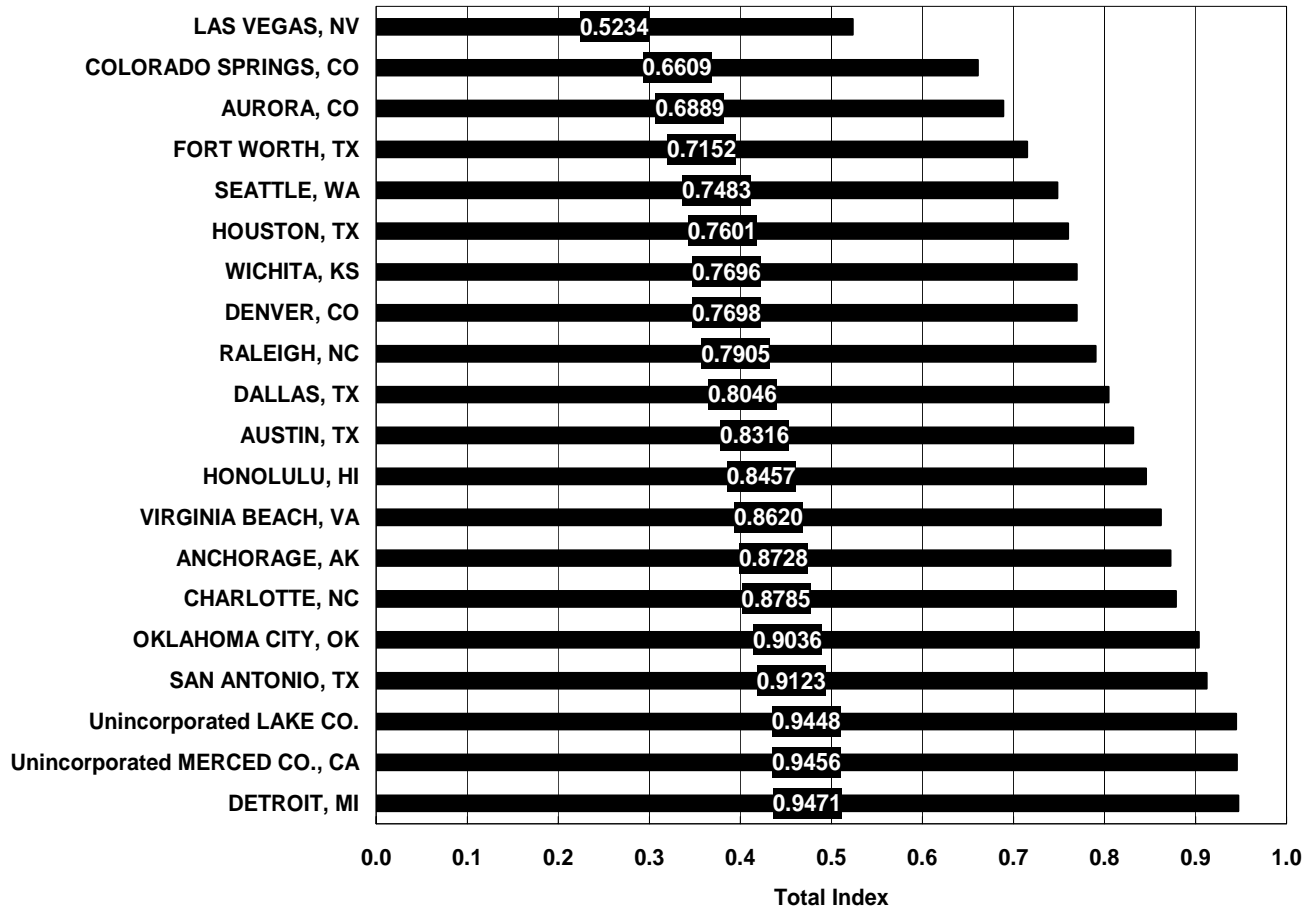
Chart 2 (page 3) outlines the 2006 *Survey's* highest-cost major cities (defined as a metropolitan area with over 250,000 residents). These cities, representing different regions in the United States, may or may not share similar tax characteristics. For example, Columbus, OH, New York, NY, and Philadelphia, PA, have relatively low Utility User tax rates, while the rates in Los Angeles, CA, and San Francisco, CA, are much higher. A city with low utility user taxes and extremely high business taxes may receive a high cost rating, and a city with high utility taxes and low businesses taxes may also receive a high cost rating.

CHART 2: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Most Expensive Major US Cities



Furthermore, **Chart 3** illustrates the *Survey's* lowest-cost major U.S. cities. Unlike cities with High Cost Ratings, cities with Low Cost Ratings have similar properties of overall low tax rates.

CHART 3: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Least Expensive Major US Cities



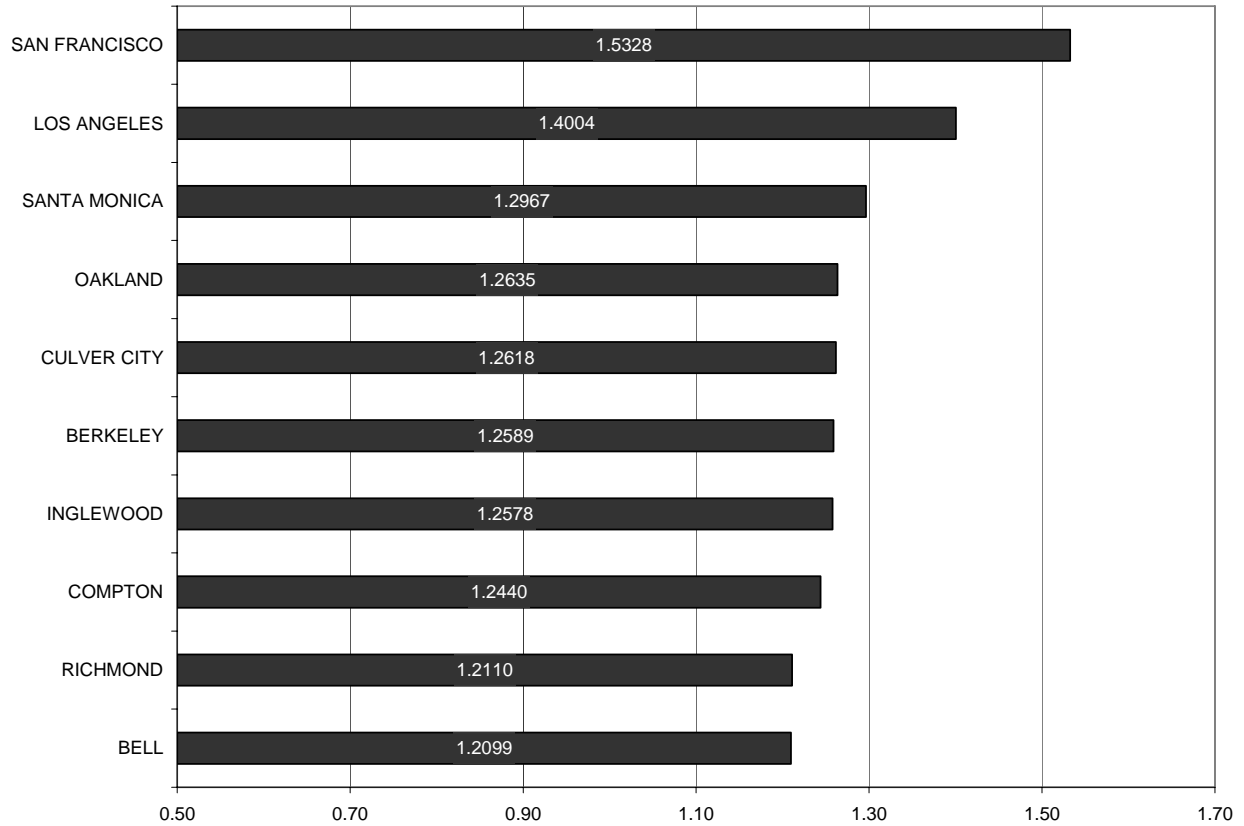
III. Overview of Major California Cities

Chart 4 displays a selection of major California cities. Los Angeles and San Francisco rank among the *Survey's* top-20 most expensive cities in which to conduct business. This year's *Survey* reveals that California has seven Very Low Cost (\$) cities, 69 Low Cost (\$\$) cities, 88 Medium Cost (\$\$\$) cities, 63 High Cost (\$\$\$\$) cities, and 23 Very High Cost (\$\$\$\$\$) cities. The city of Banning in Riverside County is the least expensive California city in which to conduct business while San Francisco is the most expensive. **Charts 5 and 6 (page 6)** reveal the most and least expensive California cities.

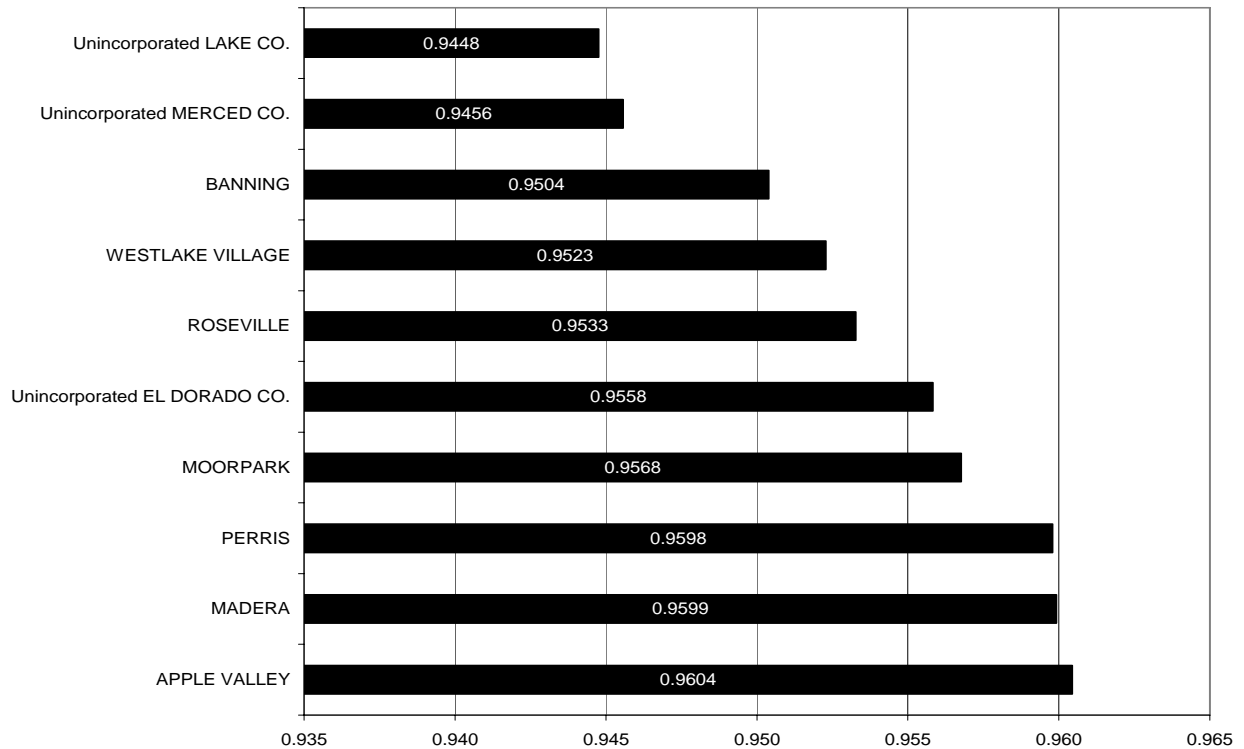
**CHART 4: KOSMONT-ROSE INSITUTE COST OF DOING BUSINESS RATING
Overview of California Cities**

\$\$\$\$\$				
	\$\$\$\$			
	FRESNO	\$\$\$		
LOS ANGELES	GARDEN GROVE		\$\$	
OAKLAND	INDUSTRY	CHULA VISTA		\$
PASADENA	LONG BEACH	FREMONT	ANAHEIM	
POMONA	RIVERSIDE	HESPERIA	BAKERSFIELD	
RICHMOND	SACRAMENTO	LOS GATOS	GLENDALE	BANNING
SAN BERNARDINO	SALINAS	OCEANSIDE	MOORPARK	MOORPARK
SAN FRANCISCO	SAN JOSE	OXNARD	ONTARIO	ROSEVILLE
STOCKTON	SANTA ANA	SANTA CLARITA	SAN DIEGO	WESTLAKE VILLAGE

**CHART 5: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Most Expensive California Cities**



**CHART 6: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Least Expensive California Cities**



IV. Overview of Southern California Counties

This next section provides a comparison of the most expensive and least expensive major cities in all Southern California counties. This year’s *Survey* includes a total of 166 Southern California cities: 71 in Los Angeles County, 17 in Riverside County, 19 in San Bernardino County, 15 in San Diego County, 28 in Orange County, nine in Ventura County, three in Santa Barbara County, two in Kern County, and one in both Imperial and San Luis Obispo Counties.

Of the *Survey*’s Southern California counties, Los Angeles County has the most High Cost (\$\$\$\$) and Very High Cost (\$\$\$\$\$) cities. San Diego County has no High Cost (\$\$\$\$) or Very High Cost (\$\$\$\$\$) cities, while neither Riverside County nor Ventura County have any Very Low Cost (\$) cities nor any Very High Cost (\$\$\$\$\$) cities. San Bernardino and Orange Counties have mostly Low Cost (\$) and Medium Cost (\$\$\$) cities.

Los Angeles County

Chart 7 compares the surveyed Los Angeles County cities with populations over 50,000. **Charts 8 and 9 (pages 8 & 9)** illustrate the most and least expensive cities in Los Angeles County. Despite Los Angeles’s recent efforts to lower business taxes, the city remains Los Angeles County’s most expensive city in which to conduct business. The *Survey* also pinpoints Los Angeles as the nation’s 16th most expensive and California’s 2nd most expensive city. This year, Los Angeles County has one Very Low Cost (\$), five Low Cost (\$\$) cities, 25 Medium Cost (\$\$\$) cities, 28 High Cost (\$\$\$\$) cities, and 12 Very High Cost (\$\$\$\$\$). Westlake Village, a Very Low Cost (\$) city, is Los Angeles County’s least expensive city in which to conduct business.

CHART 7: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS RATING			
Los Angeles County Cities (Population > 50,000)			
\$\$\$\$\$			
	ALHAMBRA	\$\$\$	
	ARCADIA		\$
	BELLFLOWER	BALDWIN PARK	
	BURBANK	CARSON	
COMPTON	DOWNEY	DIAMOND BAR	
EL MONTE	GARDENA	GLENDORA	
HAWTHORNE	LONG BEACH	LAKEWOOD	
HUNTINGTON PARK	MONTEREY PARK	LANCASTER	
INGLEWOOD	NORWALK	MONTEBELLO	
LOS ANGELES	PICO RIVERA	PALMDALE	
LYNWOOD	REDONDO BEACH	PARAMOUNT	
PASADENA	TORRANCE	SANTA CLARITA	CERRITOS
POMONA	Unincorporated LOS ANGELES CO.	SOUTH GATE	GLENDALE
SANTA MONICA	WHITTIER	WEST COVINA	ROSEMEAD

CHART 8: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY

Most Expensive Los Angeles County Cities

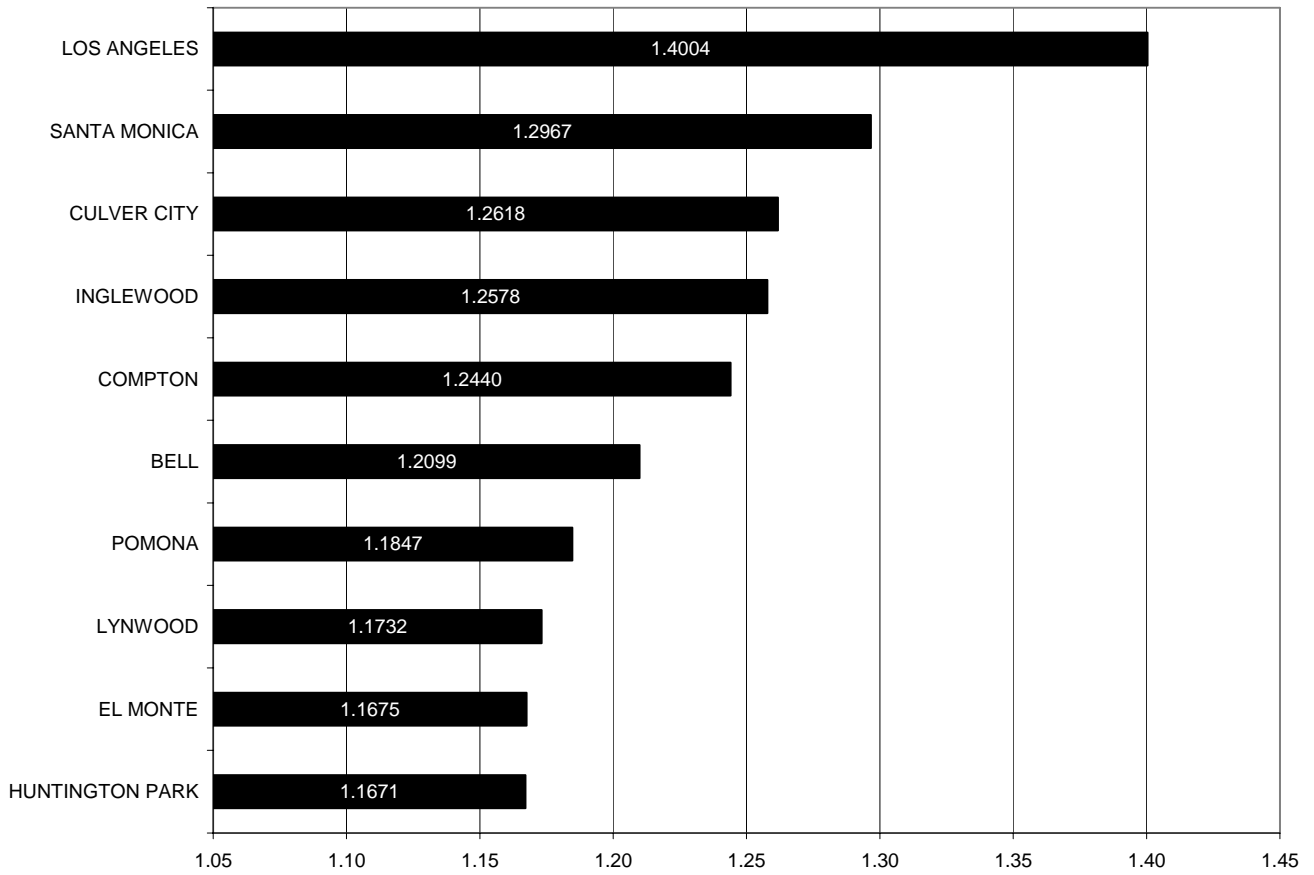
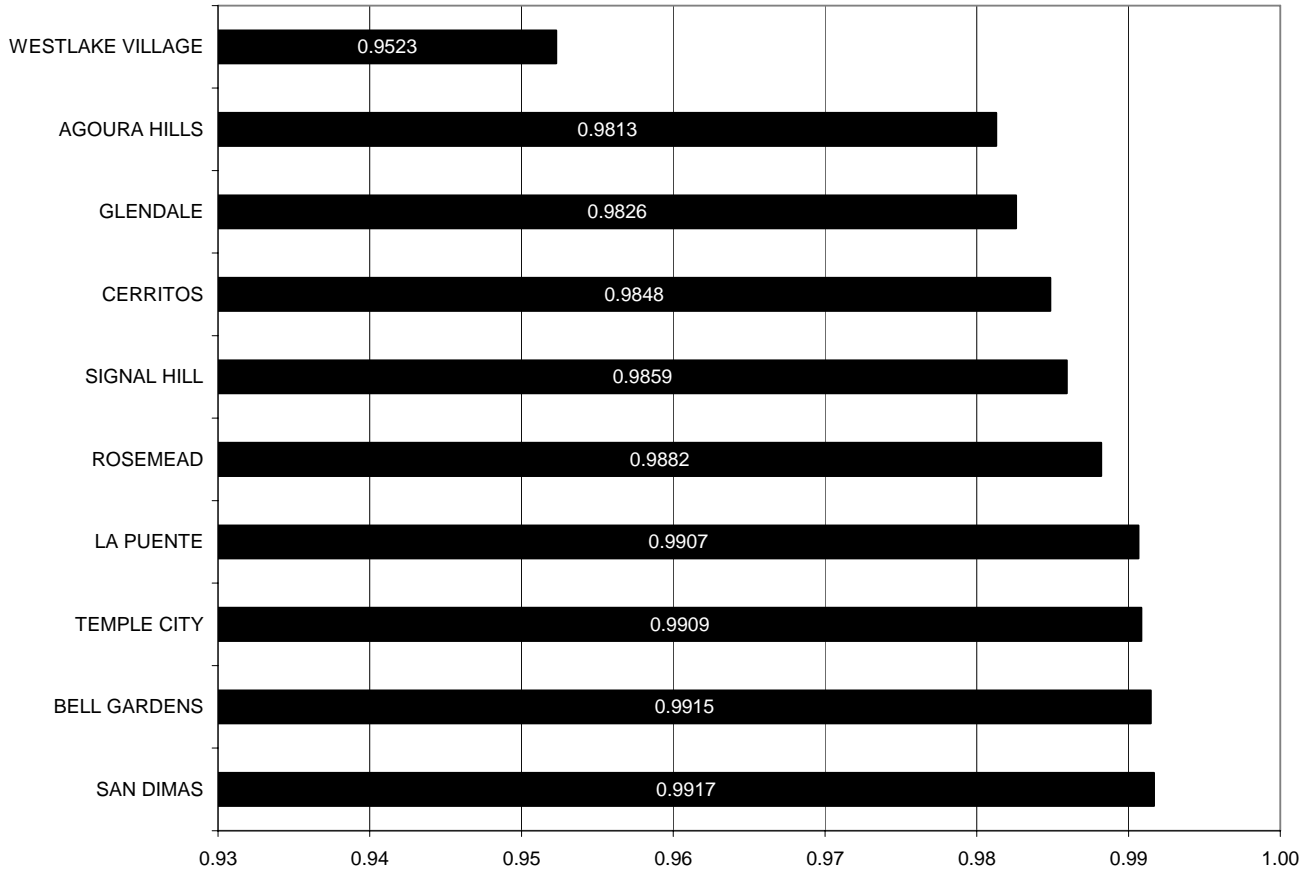


CHART 9: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY

Least Expensive Los Angeles County Cities



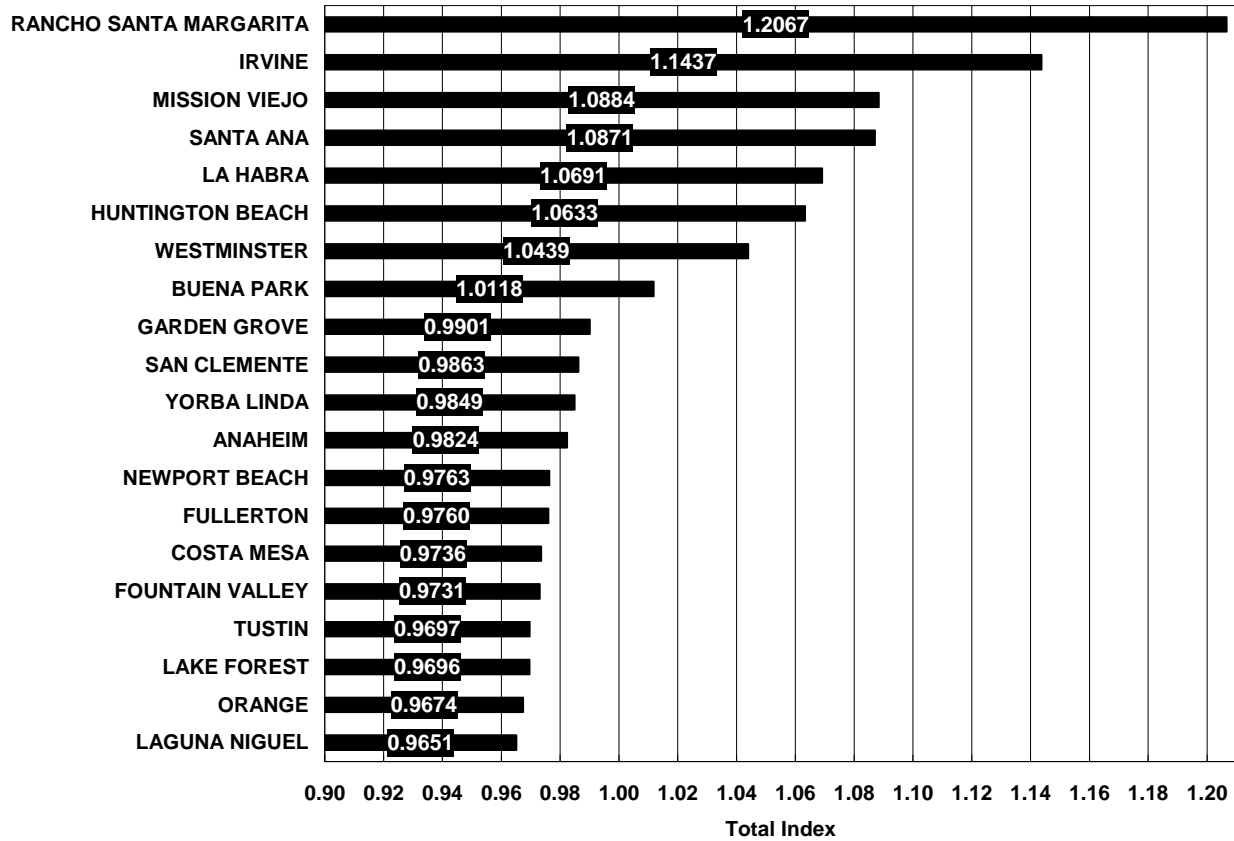
Orange County

Overall, Orange County is a less expensive area in which to do business. **Chart 10** provides an overview of various Orange County cities and their assigned cost ratings. This year’s *Survey* pinpoints three Very High Cost cities (\$\$\$\$\$) in Orange County, four High Cost (\$\$\$\$) cities, four Medium Cost (\$\$\$) cities, 17 Low Cost (\$\$) cities, and no Very Low Cost (\$) cities.

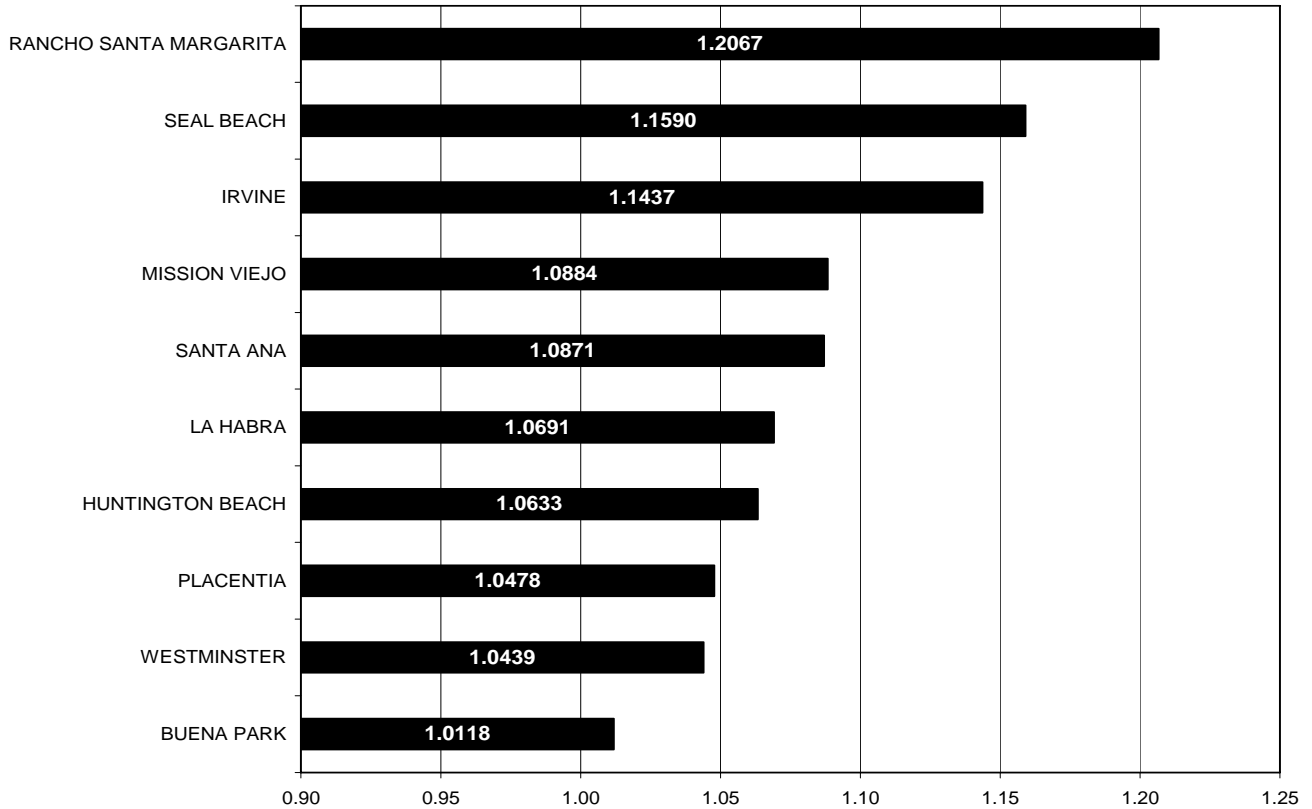
Low Cost (\$\$) Orange County cities typically have lower than average property and business tax rates, and Brea, Anaheim, and Costa Mesa all have populations over 100,000. **Chart 11 (page 11)** compares the surveyed Orange County cities with populations over 50,000. **Charts 12 & 13 (page 12)** reveal the most and least expensive Orange County cities.



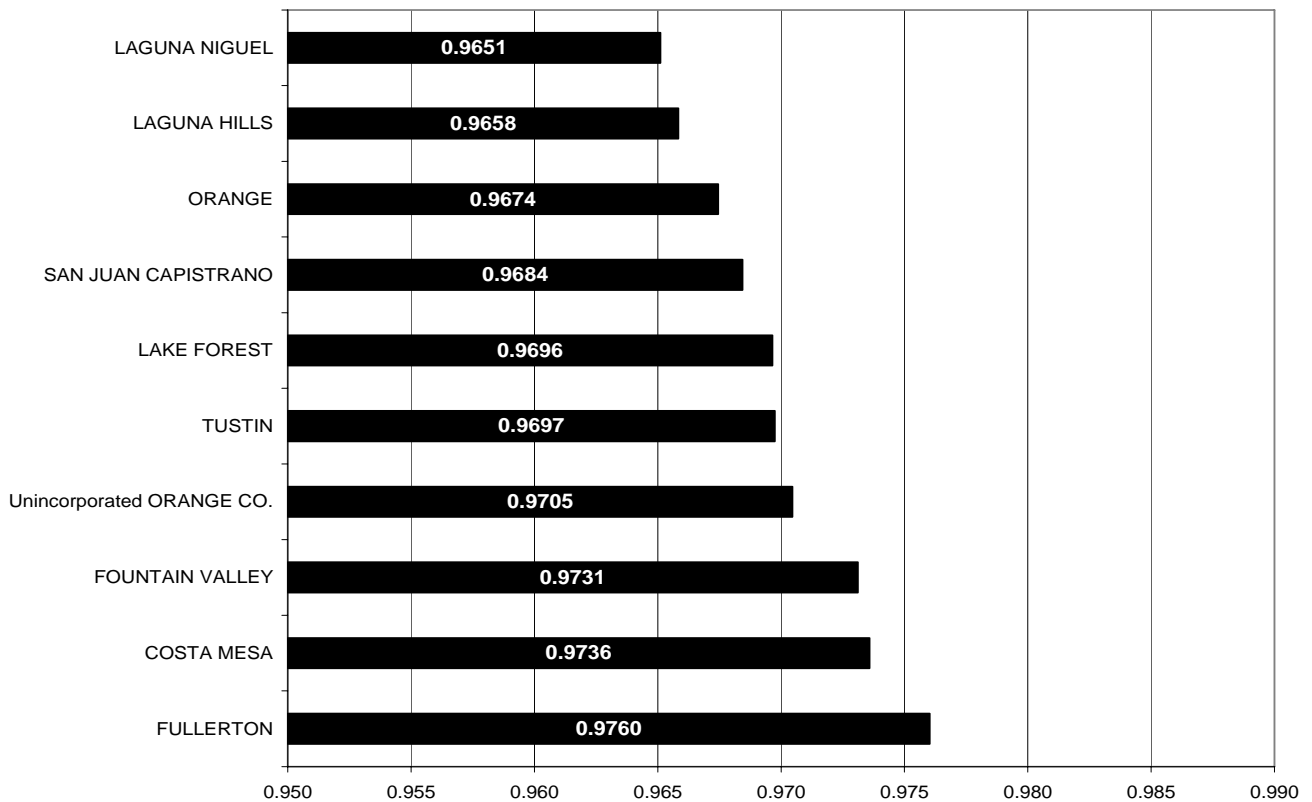
**CHART 11: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Orange County Cities (Population > 50,000)**



**CHART 12: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Most Expensive Orange County Cities**

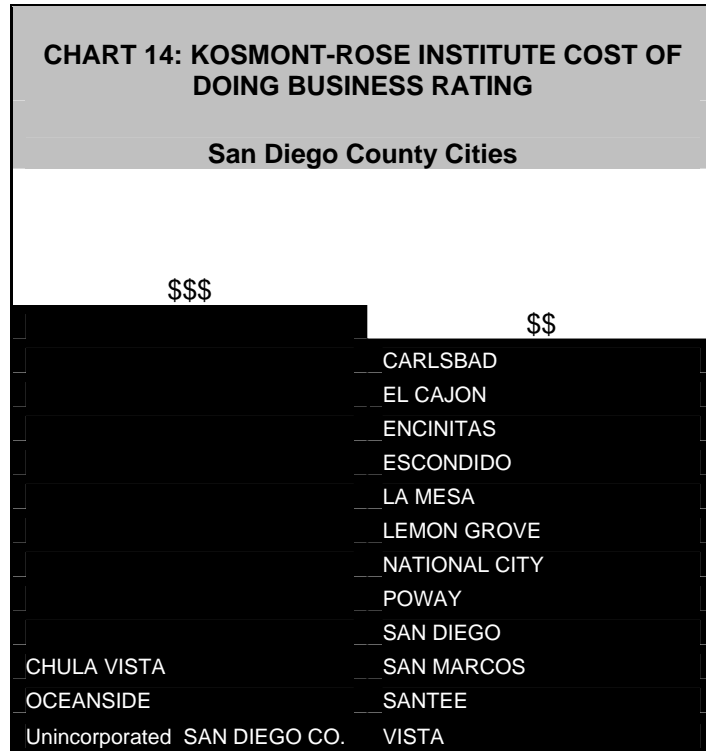


**Chart 13: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Least Expensive Orange County Cities**



San Diego County

Like Orange County, San Diego County provides a less expensive alternative to Los Angeles County. This year’s *Survey* reveals no Very High Cost (\$\$\$\$\$), High Cost (\$\$\$\$), or Very Low Cost (\$) cities in San Diego County. **Chart 14** displays the county’s three Medium Cost (\$\$\$) and 12 Low Cost (\$\$) cities.

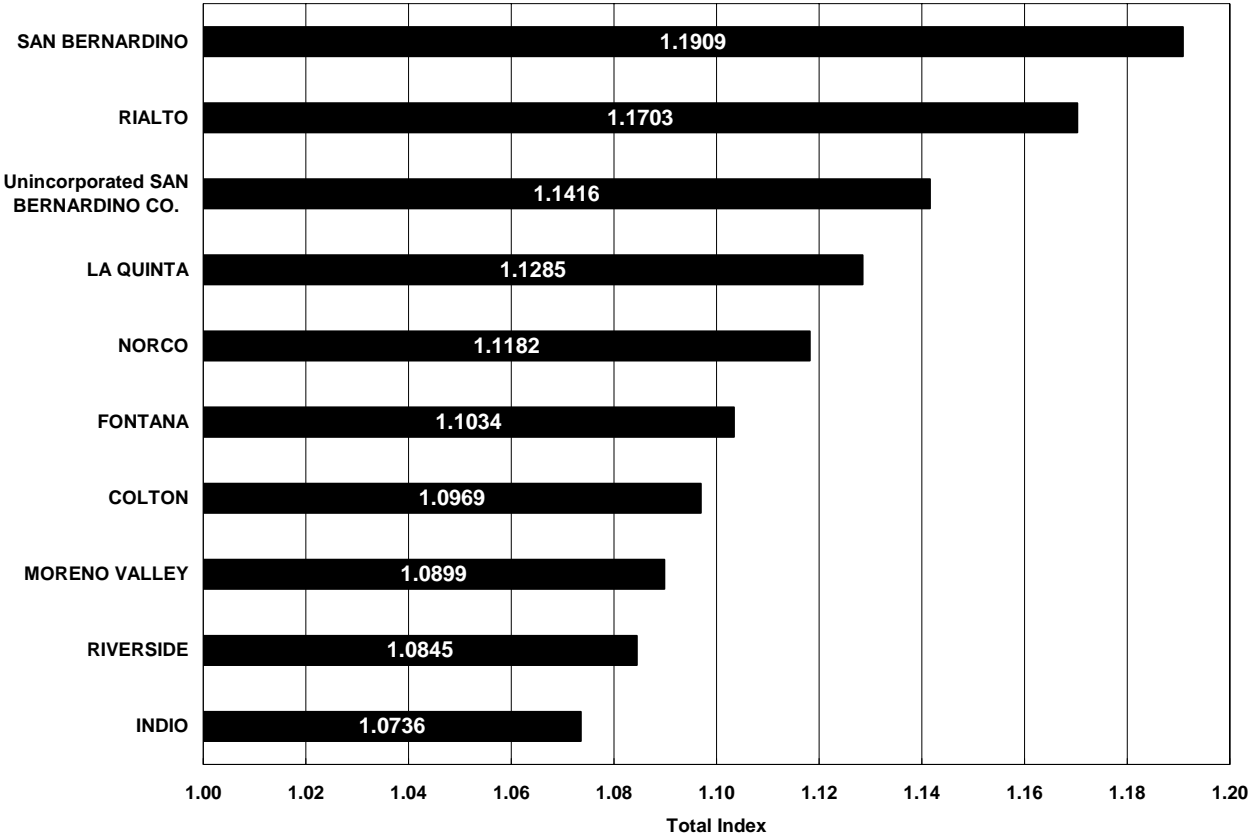


Riverside County & San Bernardino County

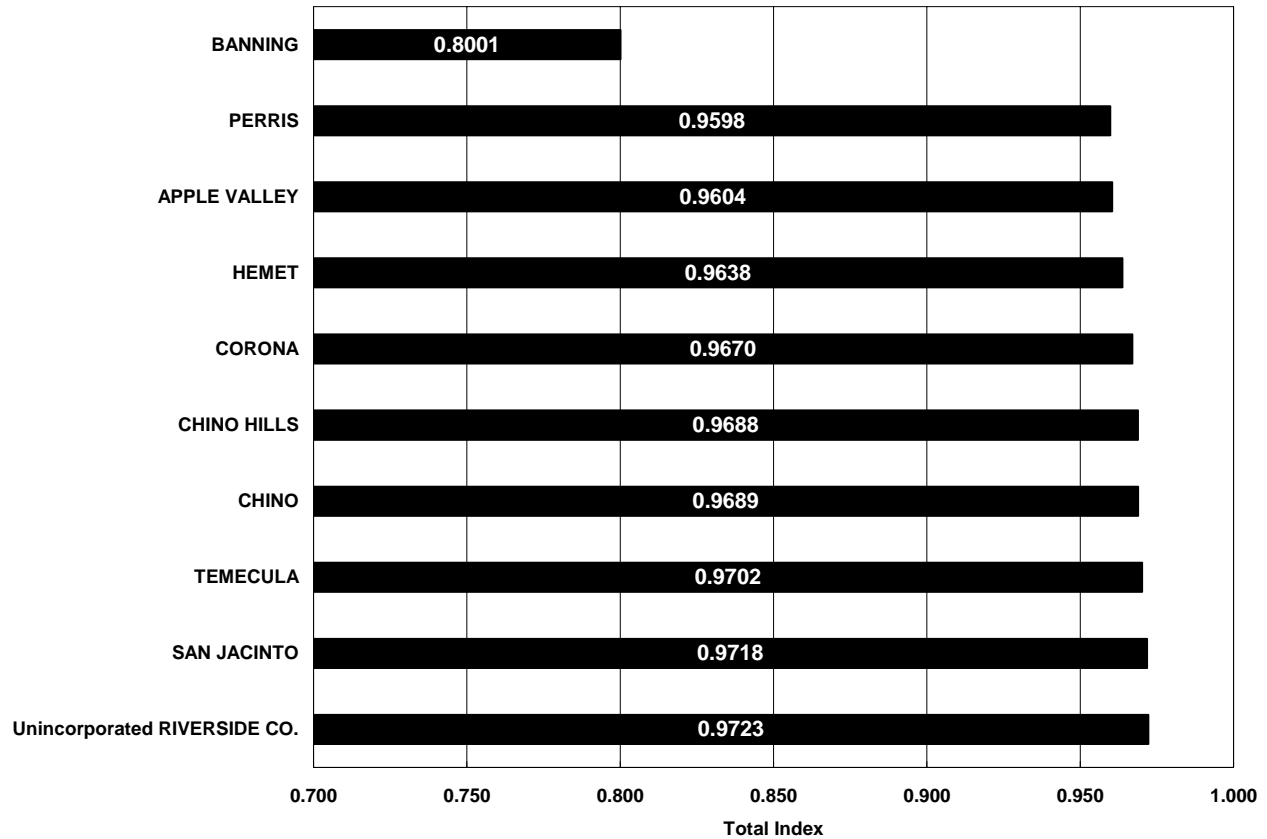
Cities in Riverside and San Bernardino Counties have comparable statistics to Orange County and San Diego County. This year’s *Survey* included 17 Riverside and 19 San Bernardino County cities. In Riverside County, there are no Very High Cost (\$\$\$\$\$), six High Cost (\$\$\$\$), three Medium Cost (\$\$\$), seven Low Cost (\$\$), and one Very Low Cost (\$) cities. In San Bernardino County, there are two Very High Cost (\$\$\$\$\$), three High Cost (\$\$\$\$), seven Medium Cost (\$\$\$), seven Low Cost (\$\$), and no Very Low Cost (\$) cities. **Chart 15 (page 14)** includes cities in both counties and indicates each city’s designated cost rating. **Charts 16 and 17 (pages 14 & 15)** provide an overview of the most and least expensive cities in Riverside and San Bernardino Counties.



CHART 16: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Most Expensive Riverside and San Bernardino County Cities

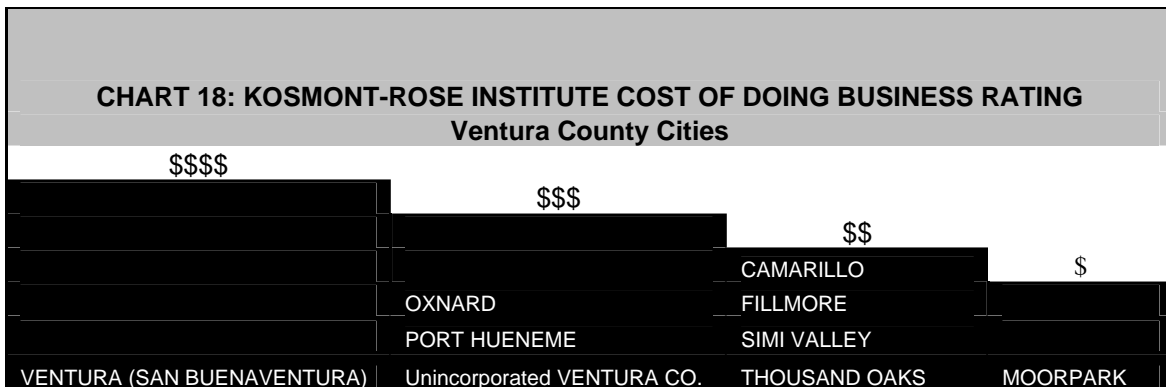


**CHART 17: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Least Expensive Riverside and San Bernardino County Cities**



Ventura County

This year’s *Survey* overviewed nine Ventura County cities: Moorpark, Camarillo, Fillmore, Simi Valley, Oxnard, Unincorporated Ventura County, Port Hueneme, and Ventura (San Buenaventura). None of these cities are Very High Cost (\$\$\$\$\$) cities, and Ventura was the only High Cost (\$\$\$\$\$) city. The three Medium Cost (\$\$\$) cities were Unincorporated Ventura County, Port Hueneme, and Oxnard. The four Low Cost (\$\$) cities were Camarillo, Fillmore, Simi Valley, and Thousand Oaks. Moorpark was the only Very Low Cost (\$) cities in Ventura County. **Chart 18** provides an overview of the surveyed cities in Ventura County.

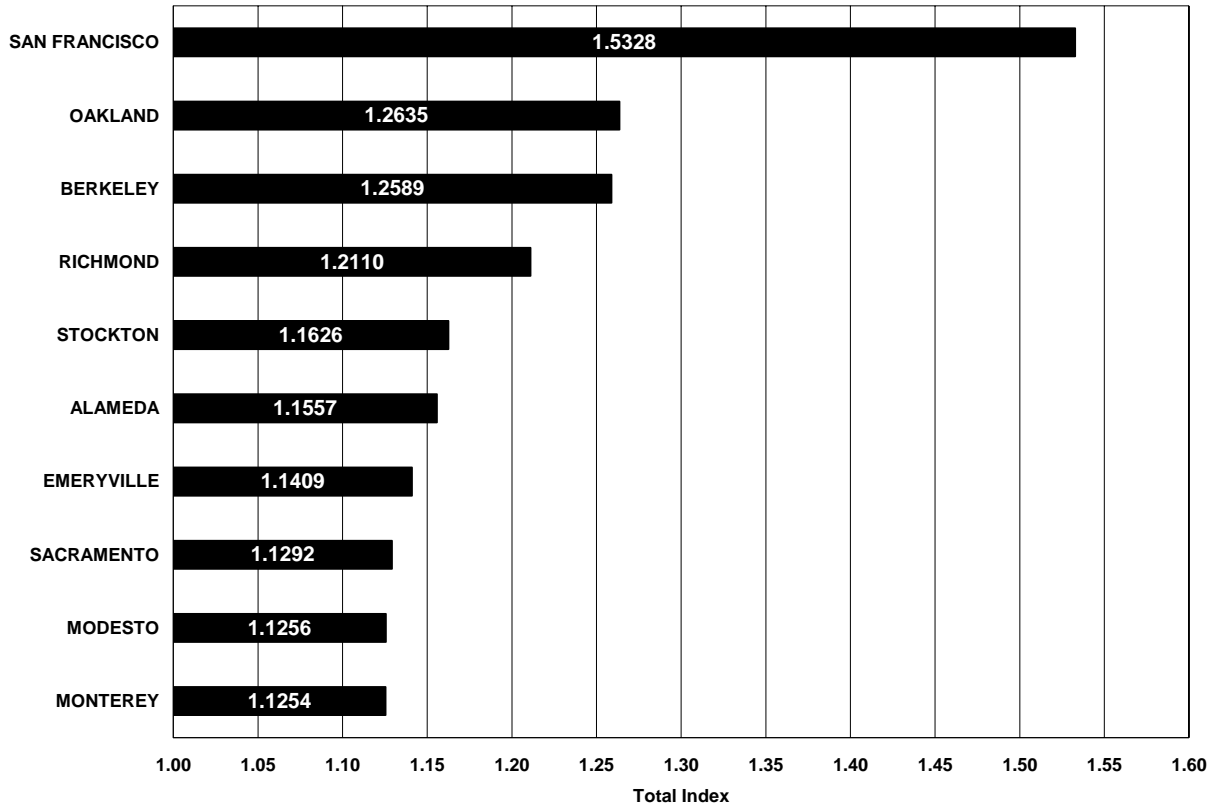


V. Selected Northern California Cities

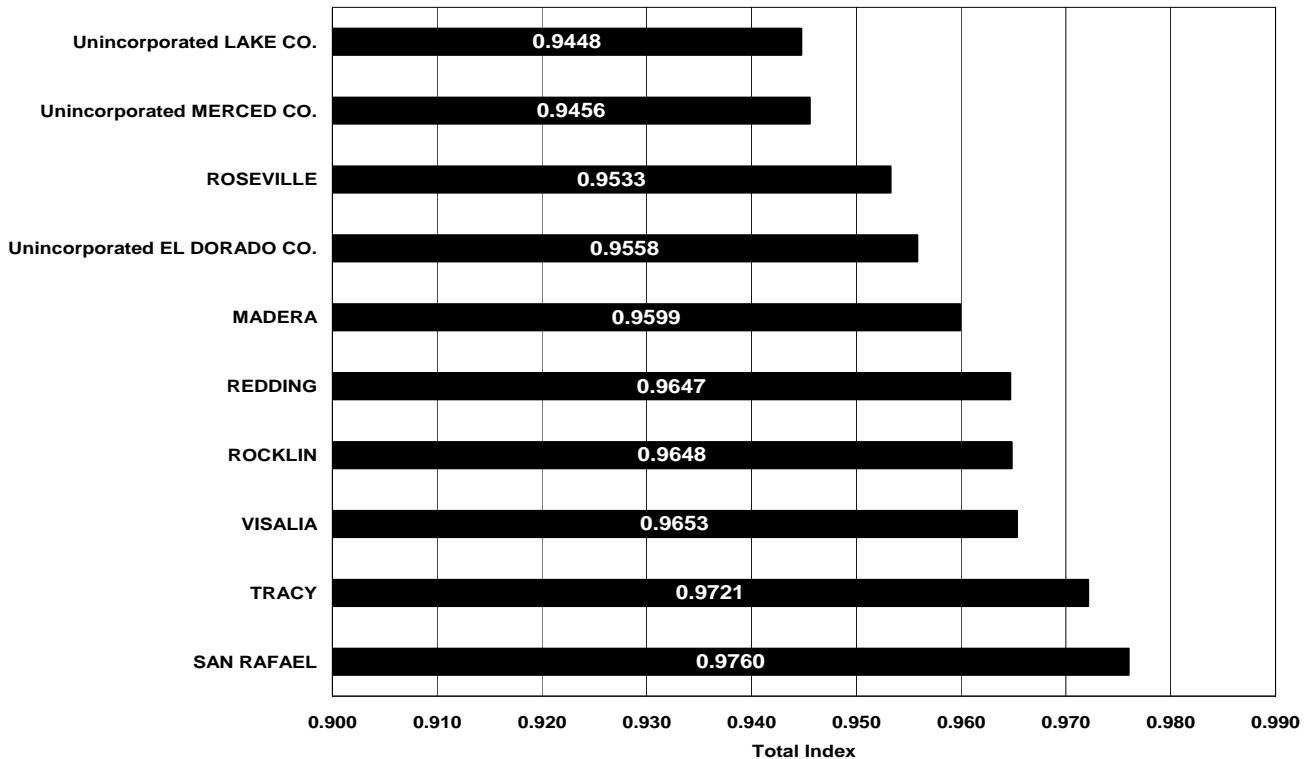
Chart 19 displays a selection of Northern California cities and their assigned cost ratings. This year's *Survey* included a total of 83 Northern California communities. San Francisco and Oakland rank among the 30 most expensive U.S. cities. High utility, business, and state income taxes explain the high cost cities in Northern California. For example, Berkeley's business, electric, and telephone taxes are over twice the *Survey's* national averages. Nonetheless, the majority of cities in Northern California receive Medium Cost (\$\$\$) ratings. **Charts 20 & 21 (page 17)** compare the most and least expensive cities in Northern California.



**CHART 20: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Most Expensive Northern California Cities**



**CHART 21: KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY
Least Expensive Northern California Cities**



VI. Conclusions

The *2006 Kosmont-Rose Cost of Doing Business Survey* analyzes data from 398 cities in 49 states and Washington, D.C. Analysis of the *Survey's* data leads to the following observations: Los Angeles County remains one of the most expensive in which to do business both in California and across the country. As both state and city budgets remained strained, cities continue to increase revenues by adding or increasing fees for businesses. Proposed bond measures and infrastructure improvements in Los Angeles have failed to significantly reduce the cost of doing business in the city.