

Cost of Doing Business Survey®

Executive Summary



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Welcome

Introduction

In 2008, the *Cost of Doing Business Survey* celebrates its fourteenth year of publication and the sixth year since the beginning of the partnership between the Kosmont Companies and the Rose Institute. The goal of the *Survey* is to provide information about the costs required to operate a business in various cities. Such information is of particular interest to, among others, real estate and business professionals, city and county governments, and business and economic associations. The *Survey's* detailed profiles of hundreds of cities nationwide enables these individuals easily to compare the costs of doing business in different cities. Moreover, the ability to compare these costs helps with important business decisions, for example, where to locate specific projects and/or where to relocate the business itself.

The city profiles contained in the 2008 *Kosmont-Rose Institute Cost of Doing Business Survey* are the end result of a labor intensive survey process. The raw data on the fees, taxes, and economic incentives and programs of the cities must be collected. This information must then be analyzed

for all 402 cities across the country. Comparative analysis between cities is achieved through the use of the median rate from the previous year.

The result of the comparative analysis allows the *Survey* to designate, using a proprietary formula, a cost rating for each city: Very Low Cost (\$), Low Cost (\$\$), Average Cost (\$\$\$), High Cost (\$\$\$\$), and Very High Cost (\$\$\$\$\$). In 2008, there were eighty Very Low Cost cities, eighty Low Cost cities, eighty-two Average Cost cities, eighty High Cost cities and eighty Very High Cost cities. For more information on the *Survey* methodology please consult the "User Guide."

The Twenty Most Expensive Cities National Analysis

Table 1 (please see page 3) gives comparative information on the population, business license fees, and property tax of the twenty most expensive cities surveyed in 2008. The cities are ranked from one to twenty in each of these categories, with one being the most expensive.

It is generally true that more populated cities are more expensive; taxes are higher to support a more extensive infrastructure. This is the reason that the most populated city



The Year in Review

Survey Highlights for 2008

National

- ♦ The ten least expensive cities in 2008 (in alphabetical order) are: Cheyenne, WY; Eugene, OR; Everett, OR; Federal Way, WA; Fort Worth, TX; Gresham, OR; Houston, TX; Kent, WA; Reno, NV; and Vancouver, WA.
- ♦ The ten most expensive cities in 2008 (in alphabetical order) are: Akron, OH; Chicago, IL; Clarksburg, WV; Jersey City, NJ; Los Angeles, CA; New York, NY; Newark, NJ; Philadelphia, PA; San Francisco, CA; and Santa Monica, CA.
- ♦ The 25 lowest cost cities nationwide are all located west of the Mississippi River. The highest cost cities nationwide tend to be cities located in the Northeast, the Great Lakes and California.

California

- ♦ The ten least expensive cities in California in 2008 (in alphabetical order) are: Apple Valley; Costa Mesa; Hesperia; Moorpark; Roseville; Sutter Creek; Unincorporated El Dorado County; Unincorporated Lake County; Unincorporated Merced County; and Westlake Village.
- ♦ The ten most expensive cities in California in 2008 (in alphabetical order) are: Berkley; Beverly Hills; Culver City; Inglewood; Los Angeles; Monterey; Oakland; San Bernardino; San Francisco; and Santa Monica.
- ♦ Cities in Los Angeles County tend to place in higher cost categories than the cities surveyed in other California Counties.

Los Angeles County

- ♦ Of the 71 cities surveyed in Los Angeles County, only 21 cities have Cost Ratings in the lowest two brackets; of these 7 cities are in the lowest bracket.
- ♦ Thirteen Los Angeles County cities are in the Average Cost bracket; 20 cities are in the High Cost bracket; and 17 cities are in the Highest Cost bracket.
- ♦ The ten least expensive cities in Los Angeles County in 2008 (in alphabetical order) are: Agoura Hills; Bell Gardens; Cerritos; Diamond Bar; La Puente; Lancaster; Santa Clarita; Signal Hill; Walnut; and Westlake Village.
- ♦ The ten most expensive cities in Los Angeles County in 2008 (in alphabetical order) are: Bell; Beverly Hills; Compton; Culver City; El Segundo; Inglewood; Los Angeles; Manhattan Beach; Pomona; and Santa Monica.

in the United States, New York City, is consistently in the top five most expensive cities.

However, some less populated cities were also rated as very expensive. For example, Clarksburg, VA with a population of only 16,522 made the top 10 most expensive cities this year, largely because of inflated business license fees.

Generally, this effect also stems from many low populated cities' industry-based structures. Lacking typical sources of revenue, industry-based cities may be more inclined to tax businesses heavily.

The business license fees imposed by the cities were an even better predictor of their overall cost ranking and rating. Business license

fees are a more political decision and, thus, they reflect the general attitude towards business in the city.

The most expensive cities are very far spread out geographically, yet tend to be "major" cities in their respective geographic regions. Most of the cities are also situated on or very near large bodies of water,

including the Great Lakes and the Atlantic and Pacific Oceans.

Twenty Least Expensive Cities National Analysis

Table 2 (please see page 4) gives comparative information on the population, business fees, and property tax of the twenty least expensive cities surveyed in 2008. The cities are ranked from one to twenty in each of these categories, with one being the least expensive.

For these very inexpensive cities, we see that population does not seem to predict the overall cost of doing business in the city. For example, three of the top twenty least expensive cities in the nation have populations under 100,000 people. But Houston and Dallas both have populations of well over 1 million people, and several cities including Houston and Las Vegas are the most populated cities in their state. Moreover, two of the cities from this table are among the ten most populated cities in the country, Houston (#4) and Dallas (#10).

All of the Very Low Cost cities are west of the Mississippi River, and the majority of cities are located directly on the West Coast. These cities tend to be located in either very dry or very mountainous areas, and are relatively far away from large bodies of water.

The Golden State California Analysis

While many California cities, including Los Angeles, San Francisco, Oakland, and Santa Monica, continue to receive Very High Cost Ratings (\$\$\$\$\$), others, nonetheless, have markedly improved their rankings when compared nationally. This continuing trend demonstrates that

Table 1: The Twenty Most Expensive Cities

City Name and State	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
AKRON, OH	13	1	5	\$\$\$\$\$
CHICAGO, IL	3	12	3	\$\$\$\$\$
CINCINNATI, OH	8	17	9	\$\$\$\$\$
CLARKSBURG, WV	20	5	13	\$\$\$\$\$
COLUMBUS, OH	6	18	10	\$\$\$\$\$
CULVER CITY, CA	19	19	16	\$\$\$\$\$
GILBERT, AZ	16	13	8	\$\$\$\$\$
JERSEY CITY, NJ	11	7	1	\$\$\$\$\$
LOS ANGELES, CA	2	10	12	\$\$\$\$\$
MESA, AZ	7	14	11	\$\$\$\$\$
MOBILE, AL	14	11	15	\$\$\$\$\$
NAPERVILLE, IL	17	9	20	\$\$\$\$\$
NEW YORK, NY	1	3	4	\$\$\$\$\$
NEWARK, NJ	10	7	7	\$\$\$\$\$
PHILADELPHIA, PA	4	2	6	\$\$\$\$\$
RICHMOND, VA	15	8	14	\$\$\$\$\$
ROCHESTER, NY	12	20	2	\$\$\$\$\$
SAN FRANCISCO, CA	5	4	17	\$\$\$\$\$
SANTA MONICA, CA	18	16	18	\$\$\$\$\$
TOLEDO, OH	9	15	19	\$\$\$\$\$

Note: City rankings, unless specified as national, are as compared with the other cities included in the table.

some cities in the Golden State are, albeit begrudgingly, becoming more competitive; however, this development is primarily a reflection of rising business costs in out-of-state cities, rather than a significant decrease in those of California cities.

Why do California Cities consistently rank poorly in the Survey?

According to the *Survey's* founder, Larry Kosmont of Los Angeles-based Kosmont Companies, the answer hinges upon the political and economic climate of California itself. "Just by being located in California, these cities are at a 'cost' disadvantage right out of

the gate," he states. "In fact, any California city that earns an Average Cost Rating is doing fairly well in my book," he continues, noting that California's high sales and income taxes make it very difficult for California cities to compete with those in other states.

In fact, California's high costs are symptomatic of an underlying problem. California's tax policies and political culture both cause significant problems for cities attempting to attract and retain businesses. Specifically, several taxation restraining ballot measures (Propositions 13 and 218, for example)

“Grappling with substantial cost increases in gas, health care and overly robust pension plans, local cities are stepping on their rates hike gas pedal. They are upping local fees or going directly to the voters to ask for a bailout in the form of increased taxes. The truth is most cities have little choice, but businesses can choose where they operate.”

- Larry Kosmont

have forced California cities to find new sources of revenue. Further, these cities can count on very little support from a state that struggles simply to pay for its ongoing costs.

Long-term economic development has been systematically eroded by shortsighted tax policies, as well as exactions on business and development activities. While residents continue to shift the tax burden onto businesses, those same businesses respond by relocating to more friendly climates. As a result, the cities lack both sufficient tax revenue to support themselves and the means to resuscitate the local business climate.

Without meaningful financial help from the state, California cities are left with only two basic options to raise funds: raise local tax rates or encourage development. Raising taxes is widely unpopular and requires a public vote. To meet their needs, cities have historically relied upon revenues from real estate and businesses.

Mr. Kosmont breaks down these two sources into what he calls the “Four R’s:” Redevelopment, Retail, Rooms, and Relocation.

Redevelopment creates new sources of property tax; retail outlets bring cities more sales tax; hotel rooms tap into non-local spending; and businesses relocated to reside within a city’s limits will pay additional taxes, bring jobs and, thus, an influx of disposable income to area businesses. While all four of these sources are geared to serve both cities and citizens, local fiscal policies in California have disproportionately used the Four R’s at the expense of broad range goals.

Many California cities view housing as a budgetary expense rather than a source of revenue, opting instead to chase commercial projects, especially those that are sales tax

Table 2: The Twenty Least Expensive Cities

City Name and State	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
ANCHORAGE, AK	6	13	5	\$
AURORA, CO	5	4	13	\$
BILLINGS, MT	14	7	2	\$
CENTENNIAL, CO	13	15	6	\$
CHEYENNE, WY	20	19	20	\$
DALLAS, TX	2	16	4	\$
EUGENE, OR	11	20	19	\$
EVERETT, WA	15	6	10	\$
FEDERAL WAY, WA	18	12	14	\$
FORT WORTH, TX	3	18	15	\$
GRESHAM, OR	16	8	3	\$
HENDERSON, NV	7	3	18	\$
HOUSTON, TX	1	17	7	\$
KENT, WA	17	11	11	\$
LAS VEGAS, NV	4	2	16	\$
RENO, NV	9	1	12	\$
SCOTTSDALE, AZ	8	9	17	\$
SIOUX FALLS, SD	12	14	1	\$
VANCOUVER, WA	10	10	8	\$
YAKIMA, WA	19	5	9	\$

Note: City rankings, unless specified as national, are as compared with the other cities included in the table.

“thumpers.” Also, assistance for small business and industrial incentives have consistently been second-tier priorities for local economic development departments. “The unfortunate reality is that California cities have become so dependent on a few unbalanced sources of income that it makes it difficult for them to commit to a long-term economic development plan with the appropriate incentives and still pay their day-to-day operating costs,” he notes. “In their rush for sales tax cash registers, cities frequently forget that you need rooftops or good paying jobs to generate sales.”

While many California cities have scrambled to encourage their businesses to remain or expand locally, the state continues down a path that erodes the profitability of businesses with tax and fee policies, rather than reducing barriers to growth that could stimulate even greater back-end fiscal benefits.

Last year’s onslaught of legislative bills includes heavier workers compensation costs, disability related mandates, more medical insurance mandates, and a slew of other anti-business legislation. “California is conflicted at the core,” continues Kosmont. “The state wants business but can’t wait to tax it when it arrives.”

Adaptations and Disincentives

Even though California cities are on their own, some local cities manage to offer competitive fees, tax rates, and economic development programs that can be pivotal when an executive or business owner is faced with a choice of cities in an otherwise difficult environment. “California cities have learned to adapt through three decades of hardship and many have fought it alone to retain their businesses,” says Kosmont. “Having seen businesses

Table 3: The Cities of Los Angeles County, CA

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
BELL	47	15	13	\$\$\$\$\$
BEVERLY HILLS	53	3	40	\$\$\$\$\$
COMPTON	17	17	3	\$\$\$\$\$
CULVER CITY	20	6	27	\$\$\$\$\$
EL MONTE	10	16	8	\$\$\$\$\$
EL SEGUNDO	64	5	30	\$\$\$\$\$
GARDENA	32	11	43	\$\$\$\$\$
HAWTHORNE	21	8	19	\$\$\$\$\$
HUNTINGTON PARK	30	19	7	\$\$\$\$\$
INGLEWOOD	11	7	15	\$\$\$\$\$
LOS ANGELES	1	1	2	\$\$\$\$\$
LYNWOOD	26	64	21	\$\$\$\$\$
MANHATTAN BEACH	51	4	56	\$\$\$\$\$
PASADENA	6	18	31	\$\$\$\$\$
POMONA	5	12	24	\$\$\$\$\$
SANTA MONICA	19	2	35	\$\$\$\$\$
TORRANCE	7	13	44	\$\$\$\$\$
ALHAMBRA	19	30	53	\$\$\$\$
ARCADIA	35	33	18	\$\$\$\$
BURBANK	15	52	60	\$\$\$\$
CLAREMONT	50	14	37	\$\$\$\$
COVINA	40	49	65	\$\$\$\$
CUDAHY	58	27	45	\$\$\$\$
DOWNEY	12	34	41	\$\$\$\$
GLENDALE	3	65	47	\$\$\$\$
IRWINDALE	68	20	34	\$\$\$\$
LA VERNE	55	39	61	\$\$\$\$
LAWNDALE	54	42	38	\$\$\$\$
LOMITA	62	10	46	\$\$\$\$
LONG BEACH	2	36	48	\$\$\$\$
MAYWOOD	57	28	17	\$\$\$\$
MONTEREY PARK	31	25	20	\$\$\$\$
NORWALK	14	44	11	\$\$\$\$
PICO RIVERA	28	21	5	\$\$\$\$
REDONDO BEACH	27	29	4	\$\$\$\$

Note: City rankings are as compared with the other cities in the County.

Table 4: The Cities of Los Angeles County, CA (continued)

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
SAN FERNANDO	59	9	6	\$\$\$\$
SAN GABRIEL	44	32	16	\$\$\$\$
AZUSA	41	26	39	\$\$\$
BALDWIN PARK	24	43	33	\$\$\$
BELLFLOWER	25	51	59	\$\$\$
CALABASAS	61	67	68	\$\$\$
CARSON	18	23	50	\$\$\$
INDUSTRY	69	68	1	\$\$\$
LAKEWOOD	23	24	67	\$\$\$
MONTEBELLO	29	37	9	\$\$\$
PALMDALE	8	35	14	\$\$\$
PARAMOUNT	34	58	12	\$\$\$
SOUTH GATE	16	22	49	\$\$\$
UNINCORP. L.A. CO.	71	66	23	\$\$\$
WHITTIER	22	50	54	\$\$\$
COMMERCE	65	47	51	\$\$
GLEN DORA	38	55	55	\$\$
LA MIRADA	39	46	57	\$\$
LA PUENTE	43	53	58	\$\$
LANCASTER	9	61	32	\$\$
MONROVIA	46	38	22	\$\$
ROSEMEAD	36	62	10	\$\$
SAN DIMAS	52	41	62	\$\$
SANTA CLARITA	4	69	25	\$\$
SANTA FE SPRINGS	63	54	26	\$\$
TEMPLE CITY	49	45	29	\$\$
VERNON	70	40	28	\$\$
WEST COVINA	13	31	71	\$\$
W. HOLLYWOOD	48	48	52	\$\$
AGOURA HILLS	60	63	69	\$
BELL GARDENS	42	60	42	\$
CERRITOS	37	59	66	\$
DIAMOND BAR	33	70	36	\$
SIGNAL HILL	66	57	64	\$
WALNUT	56	56	63	\$
WESTLAKE VILLAGE	67	71	70	\$

Note: City rankings are as compared with the other cities in the County.
 COST OF DOING BUSINESS SURVEY®

depart for other states in recent years, many of today's city managers and leaders have a newfound sense of urgency. They are motivated to offer businesses help that may not have been politically or financially available five or ten years ago."

Some cities are beginning to rein in policies long considered unfavorable to business. In 2005, the city of Los Angeles enacted reforms to its business license tax schedule, and the new fee schedules became operational on January 1, 2006. The ordinances made across-the-board rate reductions in gross receipts business tax rates. The rates decrease by a minimum of 1.0% a year to a maximum of 4.0% a year, depending upon the prior year's business tax receipts, but the total rate reduction will not exceed 15% for the life of the program. After three rate changes over three years, including a 4.0% reduction for this year, these tax reductions are helping to improve the business climate of California's largest city. Perhaps the greatest benefit of this program is the reduced compliance costs associated with the elimination of both the gross receipts threshold and the minimum tax due at time of registration, as well as the move to six rates with nine fund classes (each calculated on a per thousand basis) instead of the previous forty-two.

Despite these reductions in business taxes, Los Angeles remains bogged down by red tape and indifference to business. In 2008, the city is saddled by too many departments who participate in real estate approvals, council districts that are land use fiefdoms, and are largely populated by no-growth neighborhoods with increasing political clout. The city will have trouble wooing back business using further business tax reductions. Notwithstanding, a new

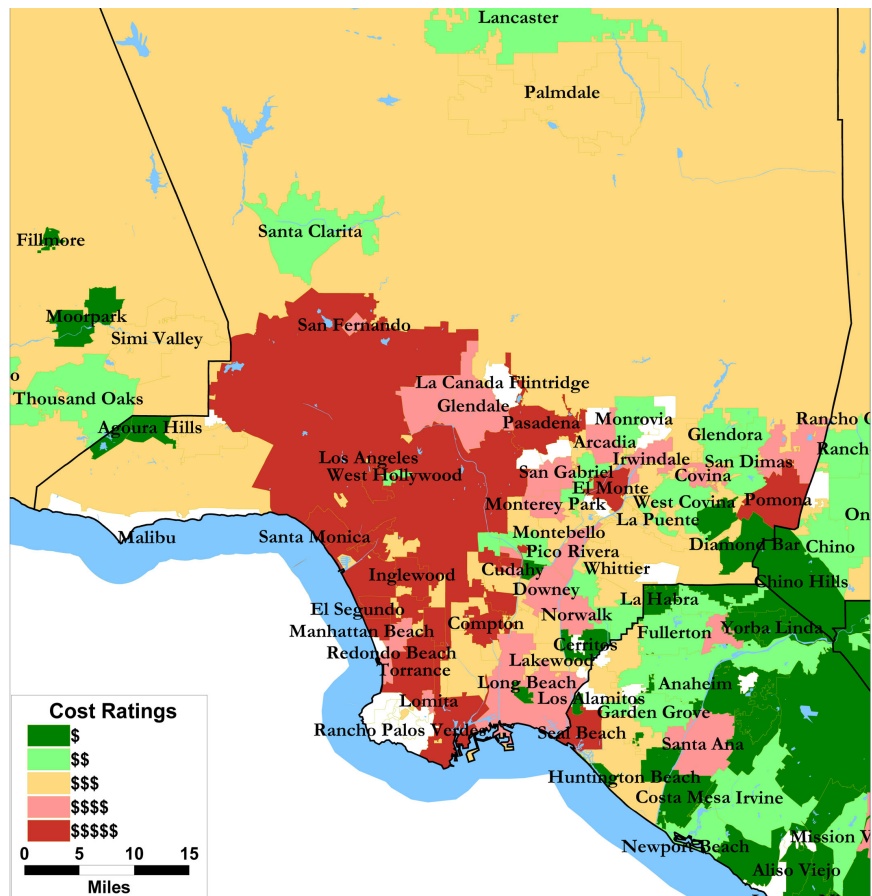
effort and legislative economics accounting plan (LEAP) has been proposed by several Los Angeles Council members and contains streaming measures in addition to tax proposals. Time will tell if this passage is reasonably adopted.

Given the city's 400 million dollar budget crises, moreover, further reductions seem unlikely.

Big business has continued to be thwarted from taking root or expanding in the city of Los Angeles. Most of the metro area's Fortune 500 companies reside just outside the city limits and take full advantage of the regional market, suppliers, and labor pool. Since the city's name is often used with geographic ambiguity, companies commonly claim an LA office while never paying into city coffers.

That leaves smaller firms as the best hope for a rebirth of business in Los Angeles, but the new economy of smaller entrepreneurial businesses is LA's version of the proverbial golden goose. Once a business hits a certain volume, the sector is disproportionately burdened with taxes and fees that are scaled for larger enterprises. In the past decade, Latino- and Asian-owned small business comprised the fastest growing segments of entrepreneurs. Ironically, LA's complex project approval processes and comparatively expensive business tax frequently end up worsening conditions for minorities and immigrants - the city's labor and constituent base.

To an outsider, Los Angeles' confusing and overlapping power structure among the city's many departments presents a schizophrenic behavior to business. The city's status-quo minded Planning Department and Redevelopment Agency fights to hold on to "old line" manufacturing industry as a means of preserving jobs, yet the Office of Finance



Map of Los Angeles County

in following the requirements of the tax code, heavily levies the very businesses other departments and initiatives are trying to save. Typically, business gets left out of the decision or is an ignored voice in the dialogue.

California Struggles with Fiscal Drought

In 2008, California and its local governments are being hit with unprecedented economic stress. Housing values are in free-fall over much of the state, and the deflation is having a direct impact on cities. California governments are spending dwindling budgets on costlier services.

The economic downturn is putting the squeeze on cash-strapped governments. Costs for services and public works improvements continue

to rise and oil prices and petroleum-based products (of which cities are heavy users) have skyrocketed in the past year. Cities are also forced to deal with the cost of policing neighborhoods where increases in foreclosed and abandoned homes attract criminal activity. In Los Angeles, the city's number of abandoned homes with overgrown weeds far exceed the capacity of already short staffed city maintenance divisions.

City tax revenues are dropping significantly. Fewer home sales mean lower transfer tax income and fewer property tax reassessments. Sales and hotel taxes are taking a hit as well due to erosion in consumer spending and dramatic increases in travel costs.

How are California Cities Coping?

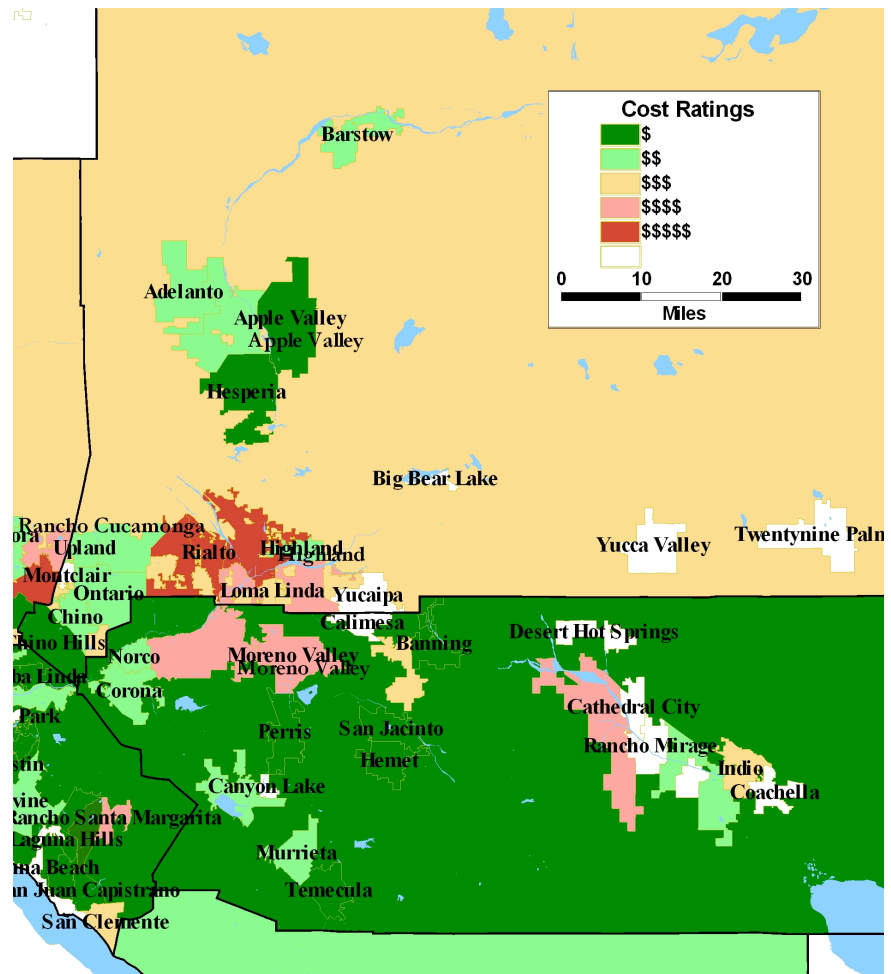
California cities are being forced to do more with less. The belt-tightening is coming in the form of cutting perks and non-essential programs, shifting the burden of costs to employees and constituents, selling surplus property, and taking advantage of attrition by keeping vacant positions unfilled. Cutting is being performed at all levels of government, from reigning in company car programs to removing unnecessary street lighting and reducing the frequency of sidewalk upkeep.

Still, government does not seem up to the challenge of cutting the fat, especially since it means eliminating jobs protected by civil service systems and bolstered by the political clout of employee association and unions. As a result, the newest state taxation salvo is focused on expanding sales tax to include areas now exempt such as the service-sector, theme parks, and live entertainment.

With an expanding service sector and an increasingly virtual point-of-sale marketplace, Sacramento lawmakers may have found a tax treasure trove than cannot be resisted. After all, the new categories would include taxes on the services of lawyers, accountants, architects and even movies and cable television. Once again California's schizophrenia shows up as it considers the opportunity to tax the entertainment industry at the same time it declares its intent to prevent the flight of movie production elsewhere.

Increases in Local Taxes Getting Another Look

At a time when home prices are falling and gas is approaching \$5 a gallon; one would think that increased taxes would be a tougher pill to swallow. Yet things have just gotten harder for



Map of San Bernardino and Riverside Counties

"Just by being located in California, these cities are at a 'cost' disadvantage right out of the gate. In fact, any California city that earns an Average Cost Rating is doing fairly well in my book.."

- Larry Kosmont

cities and desperation now appears to have prevailed.

“Push has come to shove,” says Kosmont as municipal stress turns into real hardship for families and a decreased quality of life. “Taxes are beginning to be an option again for some cities.” Facing critical budget shortages and with a broke state looking to pick the pockets of local cities and their redevelopment agencies, even inherently competitive cities have recently found themselves working to increase taxes.

The June 3rd election saw seven out of 13 new parcel taxes approved, five of six local utility user tax measures passed, two out of three hotel taxes imposed, six out of seven taxes for libraries and

emergency services, and five out of seven new local sales tax measures approved by voters. Many of these wins were in cities that don’t have broad based economies capable of financially supporting costly services. The utility user tax increases are likely to have the most immediate impact on businesses. Alameda County and the cities of Covina, Oakland, and Torrance saw utility taxes hiked or expanded.

Sales tax increases will impact both consumers and businesses. Smaller cities including Pacific Grove, Pismo Beach, and South Gate approved increases in sales taxes.

Are High Gas Prices Creating Opportunities for Cities?

The cost of driving to work in recent months is putting pressure on Californians to change their daily behavior, and we may see aggregate effects of this that will soon impact decisions by business. As gas prices continue to skyrocket and stay high, commuting costs are going up relative to housing costs, and demand for housing close to job centers will likely rise.

Employers will also feel more pressure from their employees to locate closer to housing. Since we are in an economy that is increasingly dependent upon human capital, companies may swallow a higher rent check rather than risk losing their employees - the most valuable keys to their competitiveness. For much the same reason, employers will become more flexible in terms of work hours and work at home policies.

What does this mean to cities? Workers may be on the move. Cities will have to nurture growth of residences in both urban and suburban employment hubs to accommodate the needs of businesses to retain their employees.

But businesses may be on the move as well. When it comes time to move or expand, businesses may relocate to “in town” locations. While doing so, Kosmont points out that “companies more and more, will look to reap the benefit of the regional market while taking advantage of residing in a more business-friendly city – often right next door.”

Hope for California?

The shrewd business owner and executive will be armed with more than just the *Survey*’s figures and

Table 5: The Cities of San Bernardino County, CA

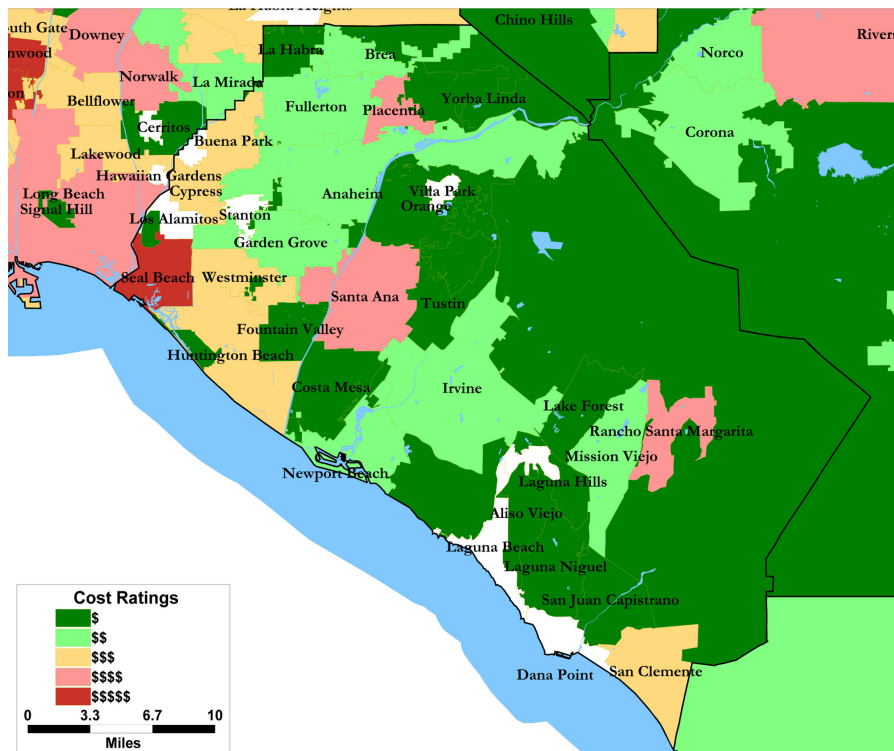
City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
FONTANA	4	3	12	\$\$\$\$\$
RIALTO	5	4	2	\$\$\$\$\$
SAN BERNARDINO	1	1	3	\$\$\$\$\$
COLTON	14	5	9	\$\$\$\$
REDLANDS	11	2	6	\$\$\$\$
GRAND TERRACE	18	7	11	\$\$\$
LOMA LINDA	17	12	5	\$\$\$
UNINC. SAN BERN. CO.	19	19	1	\$\$\$
ADELANTO	15	16	4	\$\$
BARSTOW	16	13	8	\$\$
CHINO	8	9	17	\$\$
HIGHLAND	13	14	7	\$\$
ONTARIO	3	6	16	\$\$
RANCHO CUCAMONGA	2	8	14	\$\$
UPLAND	10	10	13	\$\$
VICTORVILLE	6	11	10	\$\$
APPLE VALLEY	12	15	18	\$
CHINO HILLS	9	18	15	\$
HESPERIA	7	17	19	\$

Note: City rankings are as compared with the other cities in the County.

Table 6: The Cities of Riverside County, CA

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
MORENO VALLEY	2	1	5	\$\$\$\$
PALM SPRINGS	9	4	1	\$\$\$\$
RIVERSIDE	1	2	8	\$\$\$\$
BEAUMONT	16	10	4	\$\$\$
INDIO	6	6	6	\$\$\$
CORONA	3	3	16	\$\$
LA QUINTA	12	7	2	\$\$
LAKE ELSINORE	11	15	3	\$\$
MURRIETA	4	11	7	\$\$
NORCO	15	8	10	\$\$
PALM DESERT	10	5	15	\$\$
BANNING	14	9	17	\$
HEMET	7	13	14	\$
PERRIS	8	14	12	\$
SAN JACINTO	13	12	11	\$
TEMECULA	5	16	13	\$
UNINCORP. RIVER. CO.	17	17	9	\$

Note: City rankings are as compared with the other cities in the County.

**Map of Orange County**

their own industrial indicators. What happens at the ballot box, in California now and in the future, could have the greatest overnight impact on a company's bottom line.

In November 2006, voters passed \$47.5 billion in bonds to rebuild the state's deteriorating public infrastructure. In the coming years, the bond funds may present opportunities for cities to reallocate scarce resources toward helping businesses through public investment.

Although the bonds were approved, potential benefits for California are at risk of being curtailed by drastic eminent domain reform. A measure on this year's ballot sponsored by the Howard Jarvis Taxpayers Association, Proposition 98, was designed to prohibit the taking of any non-government owned property for economic development. Prop 98 would have effectively eliminated the use of eminent domain as a tool to attract new private investment, and the compensation requirements in the initiative would have made the cost of acquisition prohibitive for public works projects. Cities would have been left with significantly diminished resources to fund basic services and upgrades of roads and schools and a significantly weakened basis for effecting economic development programs.

Prop 98 was defeated in June by a large margin. A similar measure, Proposition 99 was successful. This measure prohibits the taking of any owner occupied residence for the purpose of transfer to another private party. It is likely that the successful passage of this measure will take the wind out of the sails of any movement toward more drastic eminent domain reform that possibly

could severely impede cities' efforts at economic redevelopment.

In terms of smart growth, in 2008 the state legislature approved SB375, which will compel local and regional transportation notes by streamlining environmental and other project approval processes.

Findings for the Golden State Los Angeles County

Los Angeles is one of the *Survey's* most expensive counties. Cities located in Los Angeles County tend to have higher Cost Ratings than those in other southern California counties like San Bernardino, Ventura, San Diego, Riverside, and Orange as well as the rest of the nation. Of the seventy-one Los Angeles County cities surveyed, seventeen are Very High Cost (\$\$\$\$\$), twenty are High Cost (\$\$\$\$\$), thirteen are Average Cost (\$\$\$), fourteen are Low Cost (\$\$), and seven are Very Low Cost (\$). Only twenty-one of the seventy-one cities are in the Low or Very Low Cost brackets.

Of the fifty most expensive cities in the *Survey*, eleven are in Los Angeles County. Only an additional six of the top fifty are located in other California counties. Los Angeles County has a higher sales tax than other Southern California counties, and cities in Los Angeles County tend to have higher property taxes, business license fees, and utility rates.

Los Angeles County cities with low cost ratings tend to have low utility taxes and business fees,

Table 7: The Cities of Orange County, CA

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
SEAL BEACH	27	10	20	\$\$\$\$\$
PLACENTIA	21	1	18	\$\$\$\$
RANCHO SANTA MARGARITA	20	22	1	\$\$\$\$
SANTA ANA	1	3	15	\$\$\$\$
BUENA PARK	12	8	26	\$\$\$
CYPRESS	22	4	10	\$\$\$
HUNTINGTON BEACH	3	17	12	\$\$\$
SAN CLEMENTE	17	2	27	\$\$\$
WESTMINSTER	10	5	21	\$\$\$
ANAHEIM	2	7	8	\$\$
BREA	24	11	7	\$\$
FULLERTON	7	9	17	\$\$
GARDEN GROVE	5	6	5	\$\$
IRVINE	4	21	4	\$\$
MISSION VIEJO	9	23	2	\$\$
NEWPORT BEACH	11	12	6	\$\$
ALISO VIEJO	23	24	3	\$
COSTA MESA	8	19	28	\$
FOUNTAIN VALLEY	19	18	9	\$
LA HABRA	18	16	24	\$
LAGUNA HILLS	26	27	23	\$
LAGUNA NIGUEL	16	28	25	\$
LAKE FOREST	13	26	13	\$
ORANGE	6	13	14	\$
SAN JUAN CAPISTRANO	25	15	22	\$
TUSTIN	14	20	16	\$
UNINCORP. ORANGE CO.	28	25	11	\$
YORBA LINDA	15	14	19	\$

Note: City rankings are as compared with the other cities in the County.

The Four R's: Redevelopment, Retail, Rooms, and Relocation.

and may be making efforts to reduce their property taxes. The seven cities with Very Low cost rankings have small populations, less expensive business license fee rankings, and less expensive property tax rankings. The two cities with Very Low Cost Ratings (Agoura Hills and Westlake Village) have no utility taxes and low business license fees. A complete list of cities surveyed within Los Angeles County can be found in Tables 3 and 4 on pages 5 and 6. A map depicting the Cost Ratings in Los Angeles County can be found on page 7.

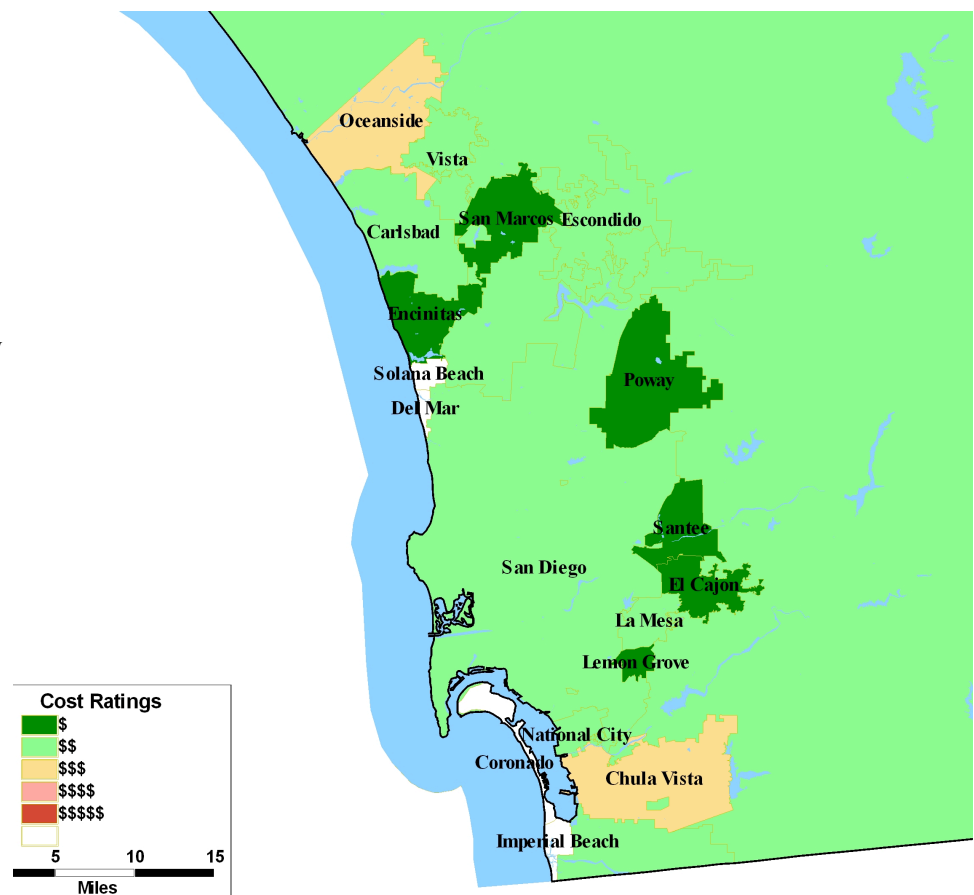
Findings for the Golden State San Bernardino County

The majority of the cities in San Bernardino County are either Low Cost or Average Cost. Of the nineteen cities surveyed, three are Very Low Cost (\$), eight are Low Cost (\$\$), three are Average Cost (\$\$\$), two cities are High Cost (\$\$\$\$), and three are Very High Cost (\$\$\$\$\$). Although there is only one city in the county with a population of over 200,000, two of the top three most populated cities maintain Low Cost ratings. San Bernardino, with the highest population, has the highest business license rankings, as well as a fairly high property tax ranking. The city with the third highest population, Ontario, manages to remain a Low Cost city due to its extremely low property tax ranking and relatively low business license fee ranking. Unincorporated San Bernardino County has the lowest population and business license ranking, but due to a high property tax rate, it remains in the Average Cost

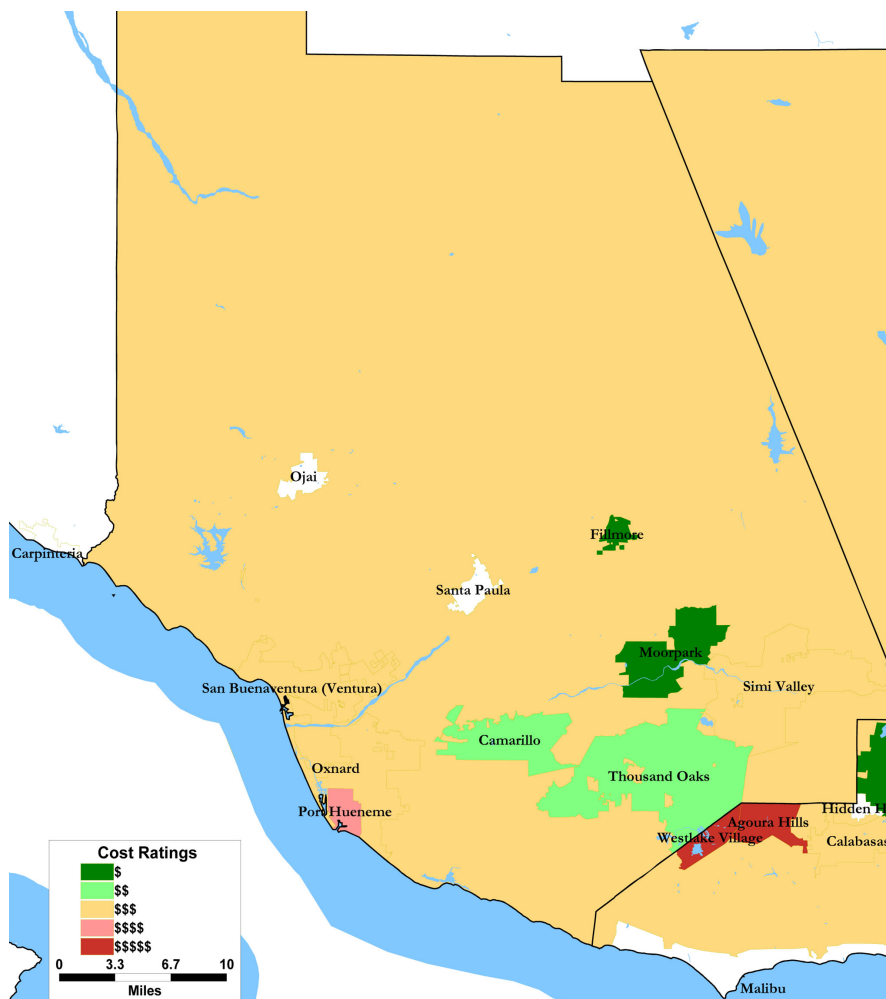
Table 8: The Cities of San Diego County, CA

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
CHULA VISTA	2	3	5	\$\$\$
OCEANSIDE	3	1	11	\$\$\$
CARLSBAD	5	2	13	\$\$
ESCONDIDO	4	6	10	\$\$
LA MESA	11	7	2	\$\$
NATIONAL CITY	9	5	4	\$\$
SAN DIEGO	1	8	3	\$\$
UNINCORP. SAN DIEGO CO.	15	14	1	\$\$
VISTA	7	4	15	\$\$
EL CAJON	6	9	7	\$
ENCINITAS	10	15	12	\$
LEMON GROVE	14	10	6	\$
POWAY	13	13	8	\$
SAN MARCOS	8	11	14	\$
SANTEE	12	12	9	\$

Note: City rankings are as compared with the other cities in the County.



Map of San Diego County



Map of Ventura County

Table 9: The Cities of Ventura County, CA

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
PORT HUENEME	7	2	6	\$\$\$\$
OXNARD	1	3	3	\$\$\$
SIMI VALLEY	3	4	7	\$\$\$
UNINCORP. VENTURA CO.	9	1	5	\$\$\$
VENTURA (SAN BUENAVENTURA)	4	7	1	\$\$\$
CAMARILLO	5	5	8	\$\$
THOUSAND OAKS	2	6	2	\$\$
FILLMORE	8	8	4	\$
MOORPARK	6	9	9	\$

Note: City rankings are as compared with the other cities in the County.

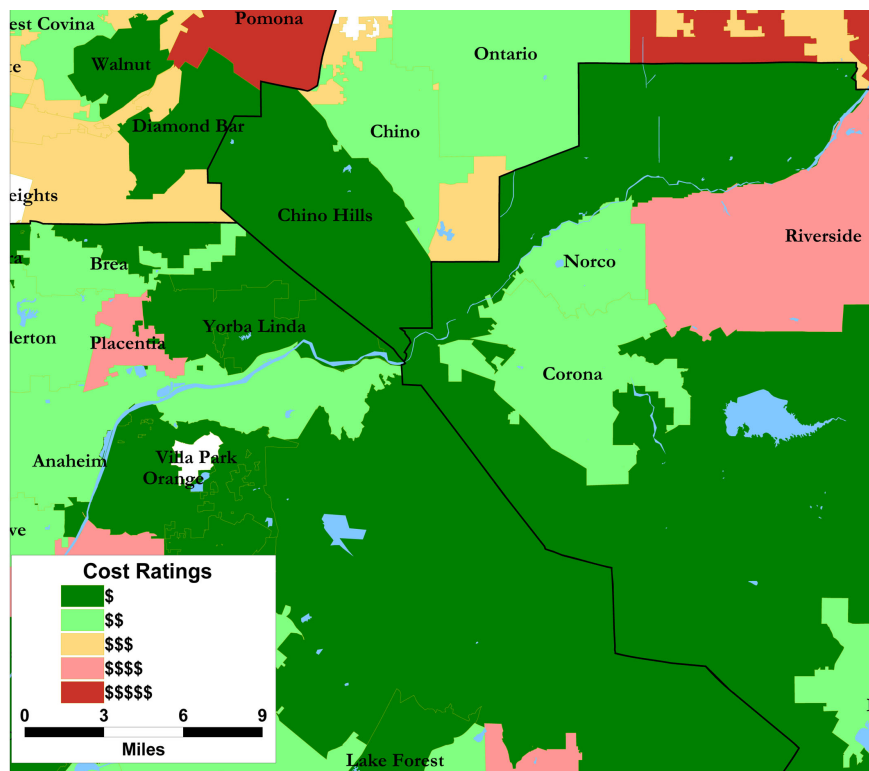
Bracket. A complete list of cities surveyed within San Bernardino County can be found in Table 5 on page 9. A map depicting the Cost Ratings in San Bernardino and Riverside Counties can be found on page 8.

Findings for the Golden State **Riverside County**

Overall, Riverside County is a low cost county. Out of the seventeen cities surveyed, twelve cities are either Very Low Cost (\$) or Low Cost (\$\$). Only one city, Beaumont, is Average Cost (\$\$\$), and four cities are in the High Cost bracket (\$\$\$\$). Riverside County does not contain a city with a Very High Cost (\$\$\$\$\$) rating. Two of the cities classified as High Cost, Riverside and Moreno Valley, are the two most populous cities in the county. Palm Springs, which also ranks as a High Cost city, has only a moderate population rank, but it has an extremely high property tax rate. Surprisingly, the city of Corona has a Low Cost Ranking, even though it ranks third in both population size and business license fee rank. All in all, Riverside County is a relatively inexpensive county in which to do business. A complete list of cities surveyed within Riverside County can be found in Table 6 on page 10. As previously noted, a map depicting the Cost Ratings in San Bernardino and Riverside Counties can be found on page 10.

Findings for the Golden State **Orange County**

Overall, Orange County is a relatively low cost county. Out of twenty-eight cities surveyed, only four scored as Very High Cost (\$\$\$\$\$) or High Cost (\$\$\$\$). The only Very



Map of the Four Corners:
Los Angeles, Orange, Riverside, and San Bernardino

Table 10: The Cities of Alameda County, CA

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
ALAMEDA	8	8	5	\$\$\$\$\$
BERKELEY	5	2	2	\$\$\$\$\$
EMERYVILLE	12	4	10	\$\$\$\$\$
OAKLAND	1	1	1	\$\$\$\$\$
LIVERMORE	6	3	7	\$\$\$\$
SAN LEANDRO	7	6	12	\$\$\$\$
FREMONT	3	9	8	\$\$\$
HAYWARD	4	5	11	\$\$\$
NEWARK	2	7	4	\$\$\$
PLEASANTON	10	10	6	\$\$\$
DUBLIN	11	12	9	\$\$
UNION CITY	9	11	3	\$\$

Note: City rankings are as compared with the other cities in the County.

High Cost city, Seal Beach, has a very high utility user tax on electric, telephone, and gas services. Of the three High Cost cities, Rancho Santa Margarita has high property taxes, Santa Ana has relatively high utility user taxes and business license fees, and Placentia has the highest business license fees in the county. A total of twenty-four cities are rated as Average Cost (\$\$\$) or lower with twelve cities rating in the Very Low Cost category (\$). As examples of the latter, Costa Mesa has no utility user taxes and has low property taxes, and Laguna Niguel has no business license fees or utility user taxes. As a whole, cities in Orange County are quite inexpensive.

Neither population nor geography crucially affects Cost Ratings in Orange County. Santa Ana, the most populous city, has a High Cost rating while the next four most populous cities (Anaheim, Huntington Beach, Irvine, and Garden Grove) have Average Cost Ratings or lower. Seal Beach, with the second smallest population in the county, has the highest Cost Rating. Other cities, however, with small populations (Unincorporated Orange County, Laguna Hills, San Juan Capistrano, and Brea) have Average Cost ratings or lower. Furthermore, the highest cost cities are spread across the county, as are the lower cost cities; however, the latter tend to be closer to the coast. A complete list of cities surveyed within Orange County can be found in Table 7 on page 11. A map depicting the Cost Ratings in Orange County can be found on page 10.

Findings for the Golden State San Diego County

Overall, San Diego is a low cost county. Of the fifteen cities surveyed,

Table 11: The Cities of Contra Costa County, CA

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
RICHMOND	1	3	1	\$\$\$\$\$
PLEASANT HILL	9	1	7	\$\$\$\$
SAN PABLO	10	5	11	\$\$\$\$
CONCORD	2	2	5	\$\$\$
ANTIOCH	3	4	9	\$\$
DANVILLE	7	9	10	\$
MARTINEZ	8	6	3	\$
PITTSBURG	5	8	4	\$
UNINCORP. CONT. COSTA CO.	11	10	2	\$
WALNUT CREEK	4	7	6	\$
SAN RAMON	6	11	8	\$

Note: City rankings are as compared with the other cities in the County.



only two rank above the Low Cost Rating (\$\$) and those two cities only fall within the Average Cost bracket. Six cities are Low Cost and six cities are Very Low Cost (\$). Even with a population of over 1,250,000 people, San Diego manages to remain in the Low Cost bracket. San Diego manages this ranking by having no utility user taxes and a relatively low business license fee. A complete list of cities surveyed within San Diego County can be found in Table 8 on page 12. A map depicting the Cost Ratings in San Diego County also can be found on page 12.

Findings for the Golden State

Ventura County

Ventura County is an Average to Low cost county in general. Ventura County has no Very High Cost (\$\$\$\$\$) cities and has only one High Cost (\$\$\$\$) city, Port Hueneme, which has the second highest business license fee in the county and a moderate utility user tax on all utilities. Ventura County has four Average Cost (\$\$\$) cities, two Low Cost (\$\$), and two Very Low Cost (\$) cities. One of these Very Low Cost cities, Moorpark, has no utility user taxes and the lowest business license fee (a small flat fee) in the county; Fillmore, the second Very Low Cost city, has the second lowest business license fee in the county and also has no utility user taxes.

A complete list of cities surveyed within San Diego County can be found in Table 9 on page 13. A map depicting the Cost Ratings in Ventura County also can be found on page 13.

Findings for the Golden State

Alameda and Contra Costa Counties

Cities in Alameda County have a fairly even distribution of cost ratings,

Table 12: The Cities of San Mateo County, CA

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
BURLINGAME	8	8	1	\$\$\$\$
DALY CITY	1	2	8	\$\$\$\$
REDWOOD CITY	3	5	3	\$\$\$\$
FOSTER CITY	7	4	6	\$\$\$
MENLO PARK	6	6	2	\$\$\$
SAN BRUNO	5	3	7	\$\$\$
SAN MATEO	2	1	4	\$\$\$
S. SAN FRANCISCO	4	7	5	\$

Note: City rankings are as compared with the other cities in the County.

with two Low Cost (\$\$) cities, four Average Cost (\$\$\$) cities, two High Cost (\$\$\$\$) cities, and four Very High Cost (\$\$\$\$\$) cities. Oakland is a High Cost city, and has a number one ranking for every category. The four Very High Cost cities—Oakland, Berkeley, Emeryville, and Alameda—unlike almost every other city in Alameda County, have electric and phone usage taxes. The high cost is the direct result of utility taxes that the cities impose.



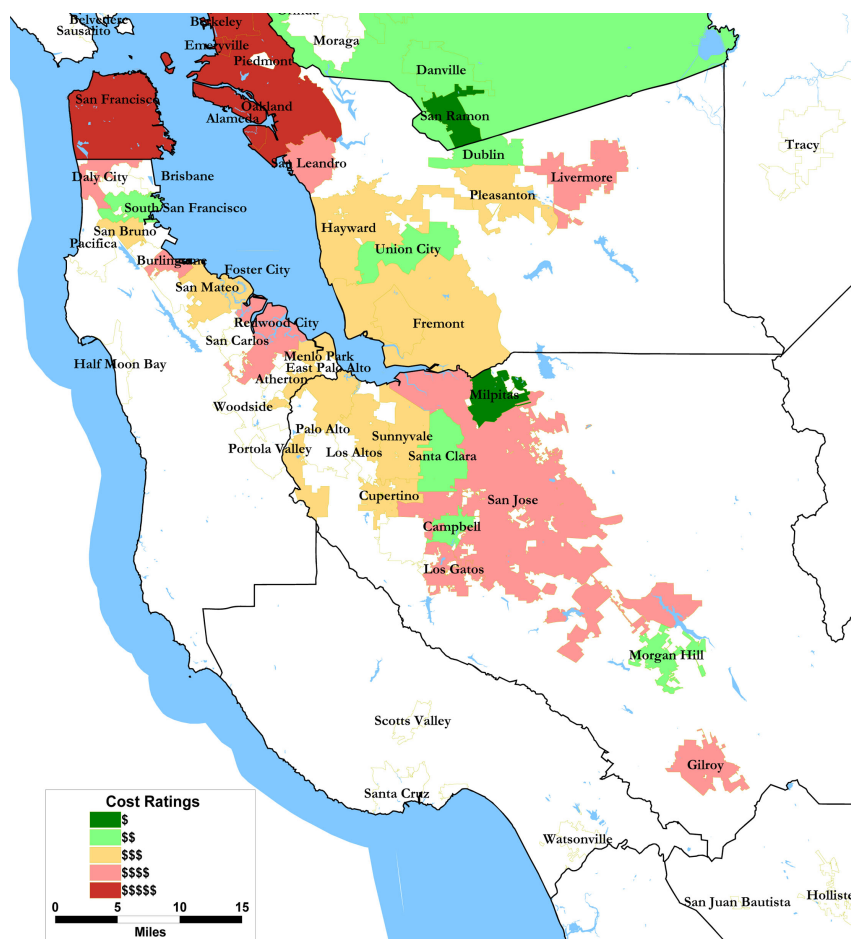
To an outsider, Los Angeles' confusing and overlapping power structure among the city's many departments presents a schizophrenic behavior to business.

Table 13: The Cities of Santa Clara County, CA

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
GILROY	8	3	2	\$\$\$\$
LOS GATOS	11	1	7	\$\$\$\$
SAN JOSE	1	2	9	\$\$\$\$
CUPERTINO	7	5	8	\$\$\$
MOUNTAIN VIEW	4	10	1	\$\$\$
PALO ALTO	6	11	5	\$\$\$
SUNNYVALE	2	7	10	\$\$\$
CAMPBELL	9	9	6	\$
MORGAN HILL	10	4	4	\$
SANTA CLARA	3	6	3	\$
MILPITAS	5	8	11	\$

Note: City rankings are as compared with the other cities in the County.

Most cities in Contra Costa County, six out of eleven, are Low Cost cities. Only Richmond is considered a Very High Cost city, and San Ramon is the sole Very Low Cost city. Again, utility taxes have an impact. Richmond has a burdensome tax on all utilities except water; San Ramon has no utility taxes. A complete list of cities surveyed within Alameda County can be found in Table 10 on page 14. The list for Contra Costa County can be found in Table 11, on page 15. A map depicting the Cost Ratings in the Northern Bay Area also can be found on page 15.



Map of Southern Bay Area

Findings for the Golden State San Mateo and Santa Clara Counties

All the cities surveyed in San Mateo County are High Cost (\$\$\$\$) or Average Cost (\$\$\$) cities. South San Francisco is the one outlier, with a Low Cost rating.

In the other top ranked cities in the Bay Area counties (Oakland, Richmond, and San Jose), their county business license rank falls in the top three. Perhaps surprisingly, Burlingame has the lowest county business license rank. Oakland, Richmond, and San Jose all also have the largest populations in their respective counties. In contrast, Burlingame has the smallest population in its county.

Cities in Santa Clara County represent all cost ratings, except for Very High Cost. San Jose is similar to Burlingame.

In Burlingame and San Jose, these

low rankings in select categories are offset by the huge gaps between one and two rankings in other categories. For example, even though it is the lowest ranked, San Jose's county property tax rate has a small margin of difference from the other cities. The population differential is enormous though—San Jose's population is almost 930,000 while the number two ranked city's population is only 130,000. While Burlingame has the lowest population, the number falls within the bottom third of the cities. Even though its business license index seems to be an outlier, its county property tax rate is over 250% of the second ranked city. A complete list of cities surveyed within San Mateo County can be found in Table 12 on page 19. The list for Santa Clara County can be found in Table 13, on the same page. A map depicting the Cost Ratings in the Southern Bay Area can be found above.

KOSMONT-ROSE INSTITUTE SURVEY STAFF

Ritika Puri
Project Manager

Keith McCammon
Assistant Project Manager

John Michael Whatley
Jacinth Sohi
Helen Pollock
Elizabeth Johnson
Riley Lewis
Edward Zaki
Jeff Park
Patrick Eagan-Van Meter
Chris Jones
Mateo Blumer
Research Assistants

G. David Huntoon
Advising Fellow

Murray S. Y. Bessette
Advising Research Associate

Ralph A. Rossum, Ph.D.
Director, Rose Institute

Florence P. Adams, Ph.D.
Associate Director, Rose Institute

Purchasing
Please contact Marionette Moore
by phone at 909.621.8159 or by
fax at 909.607.4288 or by email at
taxsurvey@cmc.edu.

**The Rose Institute of
State and Local
Government**
340 E 9th Street
Claremont, CA 91711
Please direct any questions
regarding the survey to the
address above.