Cost of Doing Business Survey®

Executive Summary

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Welcome

Introduction

In 2011, the *Cost of Doing Business Survey* is in its seventeenth year of publication and its eighth year since the Kosmont Companies began its partnership with the Rose Institute of State and Local Government. The goal of the *Survey* is to provide information about the costs required to operate a business in various cities across the country. 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 more than four hundred cities nationwide enable these individuals and organizations to compare the costs of doing business in different communities. Businesses use this critical information in deciding where to realize a specific project or even where to locate the business itself.

The city profiles contained in the 2011 *Kosmont-Rose Institute Cost of Doing Business Survey* are the end result of a labor-intensive survey process. We collect raw data on the fees, taxes, economic incentives, and programs that businesses may encounter in each city. This information is then carefully analyzed for all 421 cities across the country. We use the median rate from the previous year to do a comparative analysis across cities.

The result of this comparative analysis allows the Survey to designate a cost rating for each city using a proprietary formula: Very Low Cost ($), Low Cost ($$), Average Cost ($$$), High Cost ($$$$), or Very High Cost ($$$$$). This year, there are eighty-four Very Low Cost cities, eighty-four Low Cost cities, eighty-five Average Cost cities, eighty-four High Cost cities, and eighty-four Very High Cost cities, for a total of 421 cities profiled. For more information on the Survey's methodology, please consult the "User Guide" on the *Cost of Doing Business Survey* CD.

National Analysis

Twenty Most Expensive Cities

The twenty most expensive cities analyzed this year are scattered throughout the country. Six of the most expensive cities are in the Midwest, five are in California, four are in the Northeast, four are in the Southeast, and one is in the Northwest. The notable big cities on the list include Chicago, Los Angeles, New York, Philadelphia, San Francisco, and St. Louis. The Los Angeles metropolitan area has the highest concentration of "most expensive" cities; a quarter of the twenty cities are in Los Angeles County. California has a total of five cities on the list, Ohio has three, and Illinois and Alabama each have two. Although Newark and New York are in different states, they constitute the same metropolitan area.

Some of the cities on the list are among the oldest in the country. They are well established as regional business hubs due to their central access to financial markets, concentrated markets for manufacturing and distribution, and easy access to global markets and international trade. As central business hubs, these cities can take advantage of abundant demand for office space or land and levy high business, property, and utility taxes on businesses willing to pay a premium for the location. Many other cities do not offer the same benefits of larger central business hubs and, therefore, do not see the demand to do business.

The growth of sprawling suburbs around major cities, such as Santa Monica in relation to Los Angeles, Newark to New York City, and Naperville to Chicago, is in reaction to the high costs in these major cities. Chicago and New York are illustrative examples of historically large business hubs where demand in the surrounding suburbs is spurred by businesses seeking lower costs while retaining easy access to the city's resources. However, the costs to do business in these suburbs have also risen over time as this demand persists, resulting in multiple business hubs in each region.

High retail business license fees are the primary reason that cities end up on the "most expensive" list. Seventeen of the twenty most expensive cities assess business taxes based on either gross receipts or general profit. With such formulas, the taxes a business pays to a city have the potential to increase rapidly. In nineteen of the twenty cities, a medium-size retail business would pay a business license fee of more than $10,000 a year. In fifteen of these nineteen cities, such a business would pay between $10,000 and $100,000; in four, the business would pay $100,000 to $125,000.

Table 1: The Twenty Most Expensive Cities

City Name and State	Sales Tax	Retail Business License Fee	Property Tax
AKRON, OH	6.50%	$112,500	2.6300%
BEVERLY HILLS, CA	9.75%	$12,700	1.0900%
BIRMINGHAM, AL	8.00%	$20,000	1.3900%
CHICAGO, IL	9.75%	$125,000	4.6270%
CINCINNATI, OH	6.99%	$21,000	2.3500%
CLARKSBURG, WV	8.25%	$515	1.8100%
COLUMBUS, GA	6.78%%	$60,050	1.1600%
CULVER CITY, CA	9.75%	$10,060	1.0600%
LOS ANGELES, CA	9.25%	$12,700	1.1900%
MOBILE, AL	9.00%	$29,660	1.2700%
NAPERVILLE, IL	6.75%	$100,000	2.5379%
NEW YORK, NY	8.87%	$88,500	4.6404%
NEWARK, NJ	7.00%	$40,000	3.1800%
PHILADELPHIA, PA	8.00%	$106,272	2.6400%
PORTLAND, OR	0.00%	$36,500	2.2909%
RICHMOND, VA	5.00%	$20,000	1.2000%
SAINT LOUIS, MO	9.24%	$11,250	2.3300%
SAN FRANCISCO, CA	9.50%	$60,500	1.1600%
SANTA MONICA, CA	9.75%	$12,500	1.1100%
TOLEDO, OH	7.24%	$22,500	0.9400%

There is a similar pattern for the property tax rates of the twenty most expensive cities. These rates are over 1% in every city except Toledo, and are over 2% in nine of the cities. In comparison, the majority of the cities included in the *Survey* have property tax rates hovering just above 1%. New York and Chicago are the ignoble leaders with rates of 4.64% and 4.63% respectively, with Newark third at 3.18%. The lowest property rate is Toledo, OH, with 0.94%. The five California cities all have property rates between 1.06% and 1.19% -- the results of Prop 13.

Table 1 lists the twenty most expensive cities for businesses in alphabetical order, along with the sales tax rate, sample retail business license fee, and property tax rate.

Twenty Least Expensive Cities

All of the twenty least expensive cities are in the western or central states. None are located in the Midwest, South, or East. Texas and Washington are the two most represented states on the list. Texas has five cities and Washington has seven cities. The five Texas cities are dispersed throughout the state, while four of the seven Washington cites are in the greater Seattle metropolitan area. Nevada and Oregon and have two each.

The primary reason why Texas and Washington lead the pack is their lack of personal or corporate income tax. Cheyenne, Wyoming; Sioux Falls, South Dakota; and Reno and Henderson, Nevada are also in states that do not impose personal or corporate income tax. Meanwhile, Oregon's lack of sales tax accounts for the presence of two Oregon cities on the "least expensive" list.

Half of the twenty cities, including the cities from Texas, do not have any retail business license fees. It is important to note though, that although Texas cities do not have business license fees, the state of Texas does impose a franchise (business) tax on all companies doing business in Texas. This tax is based on a company's revenue, and a medium-size retail business would typically pay approximately $5,000 each year. The modest costs are kept low by the absence of personal income taxes in Texas and relatively low property taxes. Texas highlights the variation of state versus city imposed taxes and costs for businesses. Municipal fees and local tax rates alone may not always fully reflect the cost of doing business.

Business licensing fees can be very significant. The absence of such a license fee contributes heavily to placing these ten cities among the least expensive. The low business fees are especially beneficial to large businesses that would have to pay considerably more in fees if they were based in cities that assessed business license fees according to either gross receipts or number of employees. When taxes are assessed using either criteria, businesses must pay larger amounts as they grow in size, effectively punishing companies for expanding. In contrast, flat fee taxes, as used in Federal Way, Kent, and Vancouver in Washington, encourage businesses to expand because higher fees are not levied as profits increase or as new employees are hired. Six of the cities have fees less than $500 and five cities have fees of more than $1,000.

The cities included on the twenty least expensive list mostly have property taxes between 1% and 2%, with the average of the twenty cities being 1.21%. Three cities have property tax rates over 2%, eleven have rates between 1% and 2%, and six have rates below 1%. The three cities with property tax rates above 2% have no retail business license fees, helping to counteract the higher than average property tax rates. Corpus Christi and Houston are in this group and are also helped by their low utility taxes.

Corpus Christi has an electric utility tax of 2%, a gas tax of 1% and no other utility taxes. Houston has no utility taxes at all. The five Texas cities all have variable taxes for utilities such as electric, gas, water, and telephone, as well as reasonable variation among the cities, despite all having relatively low utility tax rates. Comparatively, Washington has higher utility tax rates among its eight cities, ranging from 4% in some utilities in Yakima, to 20% utility tax on water in Vancouver. Overall , there is wide variation among utility tax rates for each type of utility, as well as among cities. The only cities with no utility taxes are Abilene, TX, Reno, NV, Houston, TX, and Eugene and Gresham, OR. Only nine cities, including six of the Washington cities, have a tax on water. The two cities with the highest taxes on water are Vancouver and Yakima in Washington, with rates of 14% and 20% respectively. Six of the twenty

Table 2: The Twenty Least Expensive Cities

City Name and State	Sales Tax	Retail Business License Fee	Property Tax
ABILENE, TX	8.25%	$0	0.6900%
AUSTIN, TX	8.25%	$0	0.4600%
CENTENNIAL, CO	2.50%	$0	1.4600%
CHEYENNE, WY	6.00%	$0	0.6700%
CORPUS CHRISTI, TX	8.25%	$0	2.0300%
EUGENE, OR	0.00%	$0	0.7200%
EVERETT, WA	8.60%	$1,000	1.1900%
FEDERAL WAY, WA	9.00%	$50	1.1600%
FORT WORTH, TX	8.25%	$0	0.8600%
GRESHAM, OR	0.00%	$469	1.7480%
HENDERSON, NV	7.75%	$5,600	1.02%
HOUSTON, TX	8.25%	$0	2.4400%
KENT, WA	9.50%	$100	1.0800%
OLYMPIA, WA	8.70%	$30	1.2300%
OVERLAND PARK, KS	8.65%	$0	0.1500%
RENO, NV	7.72%	$7,545	1.2800%
SIOUX FALLS, SD	6.00%	$0	2.0900%
SPOKANE, WA	8.49%	$2,060	1.3700%
VANCOUVER, WA	8.10%	$125	1.3900%
YAKIMA, WA	8.20%	$1,285	1.1500%

The Year in Review

2011 Survey Highlights

National

- All of the least expensive cities are west of the Mississippi River, with five cities in Texas and seven in Washington.
- Sixteen of the twenty least expensive cities are located in states that do not impose income tax, and three are located in states that do not impose sales tax.
- The Great Recession has caused many businesses to fold, leading to high unemployment and falling tax revenues. City and state governments are fundamentally rethinking the old framework of public finance, leading to greater privatization of city services and reconsiderations of pension benefits.

California

- California remains an expensive state in which to do business, even after the state sales tax rate dropped by 1% on July 1, 2011.
- Sixteen of the 50 most expensive cities nationwide are in California, while only nine of the 50 least expensive (incorporated) cities are in California.
- Los Angeles County and the Bay Area remain some of the most expensive areas in the state, while San Diego is one of the most affordable for business.
- California's unemployment rate remains the second-highest in the country at 12.1% for August 2011, trending upwards after dropping to 11.7% in May 2011.

Los Angeles County

- Only a quarter (17 cities) of the 74 Los Angeles County cities featured in the *Survey* received either a Low or Very Low Cost rating, while half (38 cities) received either a High or Very High Cost rating. Only two cities (Agoura Hills and Westlake Village) received Very Low Cost ratings.
- Four of the twenty most expensive cities in the country are located in Los Angeles County.
- Pico River and South Gate have the highest sales tax rates in the *Survey* at 10.75% for the period ending June 30, 2011.

cities have taxes for all utilities; electric, gas, telephone, cellular, cable, and water. All six are in Washington.

Table 2 lists sales tax rates, retail business license fees, and property tax rates for the twenty least expensive cities surveyed in 2011. The cities are arranged in alphabetical order.

The Golden State

Why do California cities consistently rank poorly?

"California puts its own cities in a difficult spot," said Kosmont. "If a municipality succeeds in attracting a new or expanding firm, that new employer is inevitably squeezed by increasing local fees and the underlying cost of the state's high tax schedule. With most new real estate projects being casualties of the recession, attracting new businesses are a key target to supply the tax revenue used to pay for vital local services and increasingly high health care and pension costs for local government employees."

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 tax-restricting ballot measures have declared some traditional income streams off limits, thereby forcing California cities to find new sources of revenue. In addition, these cities can count on little support from a state that struggles to pay its own bills.

Long-term economic development therefore has been systematically eroded by shortsighted tax policies as well as heavy exactions on business and development activities. While residents shift the tax burden onto business, some companies respond by relocating to more friendly economic climates. As a result, cities may lack sufficient revenue from sales and fees to support themselves while taxing an frequently shrinking local business base.

"In their rush for sales tax cash registers, cities frequently forget that you need rooftops or well-paying jobs to generate sales."

- Larry Kosmont

Without meaningful financial help from the state, California cities are left with two basic options to raise funds: raise local taxes 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.

Many California cities view housing as a budgetary expense rather than a source of revenue, opting instead to chase the commercial projects, especially those that are sales tax "thumpers." Also, assistance for small businesses 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 costs," he notes. "In their rush for sales tax cash registers, cities frequently forget that you need rooftops or well-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.

Kosmont affirms that firms still want to locate in California, citing the Golden State's world class weather, amenities, diverse workforce, and strategic Pacific Rim location. But he warns, "The State is doing its best to kill the golden goose that each city was given decades ago." Companies respond by locating only a fraction of their business in California, unwilling to forgo the State's immense consumer base. Kosmont clarifies, "The truth is, companies *want* to be in California. But somewhere a CEO is pondering, 'How small an office in California can I get away with and still service that market?' The sales office then goes up in LA or the Bay Area, but the bulk of jobs and back office functions end up in Tennessee or Texas."

A Tenuous Recovery

According to the National Bureau of Economic Research, the Great Recession that began in December of 2007 ended more than two years ago in June of 2009. While there have been clear-cut signs of recovery since then, the recovery has been rather underwhelming and has come along at a very sluggish pace. It took 22 months for unemployment to jump five percentage points, rocketing from 5% at the beginning of the recession to its 10.1% peak in October of 2009. Since then, unemployment has slowly drifted downwards, taking 22 months to drop by just one percentage point to 9.1% for August 2011. Using a broader definition of unemployment called U-6, a statistic calculated by the Bureau of Labor Statistics that takes into account discouraged workers as well as people acquiescing to part time work, true unemployment in the United States may actually be closer to a staggering 16.2%.

Another metric of economic health, year over year real GDP growth, was positive in the third quarter of 2009, the first time after five consecutive quarters of negative year over year growth. Yet the GDP growth rate during the recovery has only twice exceeded 3.3%, and in fact is regressing, as the first quarter of 2011 had a growth rate of just 1.55%. Historically, a GDP growth rate of 3.3% has been required to maintain a static level of unemployment (for example, growth slower than 3.3% would cause unemployment to rise). Thus, for the unemployment rate to decrease, a GDP

growth rate exceeding 3.3% will be required. (It is important to note that some economists believe that the US economy has structurally changed, and therefore a growth rate of less than 3.3% will be required to maintain an unemployment rate).

So the inevitable question is, Why is the recovery so sluggish? Despite billions of dollars of fiscal and monetary policy, why does it seem like the U.S. economy is stuck in first gear? The primary reason is the housing market. Because the housing market took such a big hit during the recession, homeowners throughout the U.S. took huge paper losses in what is usually the biggest investment of their lives. To prevent these paper losses from becoming realized, many consumers have been forced to stay in areas hit hardest by the recession rather than move to areas that are doing relatively better (and where house prices are stronger/more expensive). The end result is that consumers shore up money as long as the bad times continue, which hampers the recovery process by preventing money from flowing into the system. Toxic subprime mortgages still sit on many banks' balance sheets, and fears of a double dip in the housing market (that are starting to be realized) prevent credit markets from thawing, stalling the economic recovery.

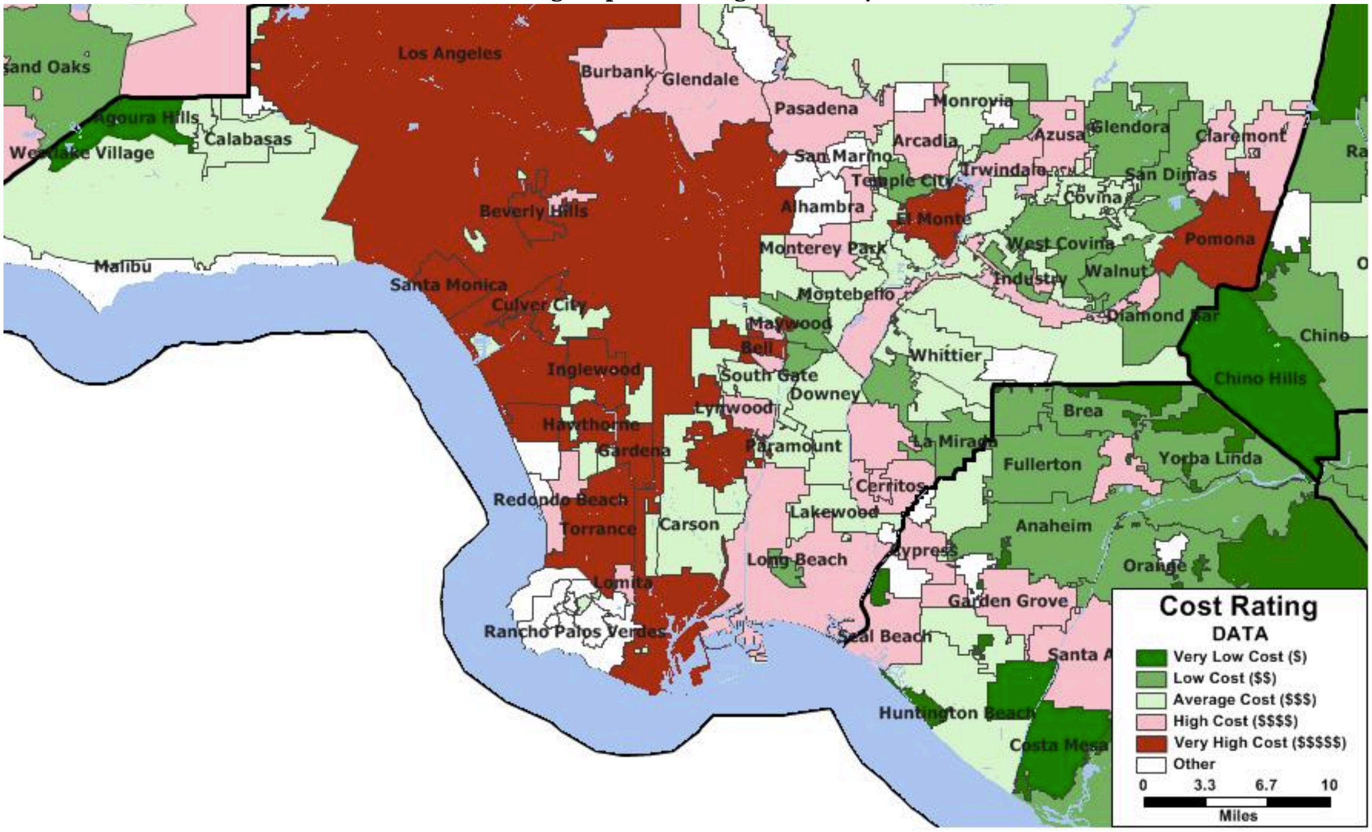
As a result, the natural rate of unemployment ('natural' referring to the fact that there will always be some unemployment due to switching jobs, seasonal workers, etc.), which has averaged about 5% over the past century, is expected to rise to 6-7% as workers cannot move to places with available jobs. California is no exception to this phenomenon, as its housing market was hit particularly hard during the downturn. Unemployment, which started at 5.8% on December 2007, leaped up to 12.5% by September 2010, and has since come down to 12.1% by August 2011, which is second highest in the nation after Nevada (13.4%). Looking at these statistics by industry (and adjusting for changes in the labor force), it is no surprise that construction has lost about 40% of its workers over the past five years and financial activities (finance, insurance, real estate, and rental/leasing) have lost 20% of its workers -- a combined loss of over 575,000 jobs. Manufacturing and the retail trade have also been particularly hard hit, with employment levels cut 18% and 12% respectively, for a total loss of over 470,000 jobs. Together, these four industries account for half of all unemployment in California. Adding to the losses are over 100,000 professional jobs and over 100,000 local government positions.

Currently, 22 of California's 58 counties have unemployment rates over 15%. Imperial and Yuba counties are the worst off, with unemployment rates of 30.8% and 19.3%, respectively. At the opposite end of the spectrum are Marin and San Mateo counties, at 8.1% and 8.7% respectively, which by no means have 'healthy' levels of unemployment. Of the 14 largest counties by labor force, six have unemployment rates over the 12.1% California average, including Los Angeles (13.3%). The second and third largest counties, Orange and San Diego, have unemployment rates of 9.3% and 10.5%, respectively. It appears that this recession has hit California particularly hard, as even in the country's most populous state, it is difficult to find a place of economic solace.

Redeveloping the RDA Model

Redevelopment agencies are government subdivisions whose main goal is to reinvigorate and improve blighted, deteriorated, and economically downtrodden areas. Sixty years ago, the California legislature established a process whereby a city or county can declare an area to be blighted and in need of redevelopment. Thereafter, most property tax

Cost Rating Map of Los Angeles County 2011



revenue growth from the "project area" is distributed to a newly created redevelopment agency rather than to other local agencies.

Once a community establishes a redevelopment project area, property tax revenue allocated to local government bodies is frozen at its current level, known as the frozen base. If the value of the property increases due to improvements to the redevelopment area or any other factor, then the amount of property tax revenue also increases. The amount of the increase above the frozen base is called the tax increment.

Establishing a redevelopment area was one of the easiest ways for California local governments to raise significant amounts of money. This is because they were not constrained by some of the key accountability and transparency elements required of other local government bodies. Specifically, redevelopment agencies could incur debt without voter approval and redirect property tax revenues from schools and other agencies without voter approval or consent of the other agencies.

Two laws enacted as part of the state budget this past summer mandate the elimination of California's redevelopment authorities. The first, AB 1x26, eliminates redevelopment agencies. A companion bill, AB 1x27, allows agencies to continue to exist if they agree to pay $1.7 billion collectively this year and $400 million annually thereafter to the state from their tax increment revenues. Taken together, these two laws effectively eliminate redevelopment authorities unless they turn over certain tax increment revenues for local government use. The Los Angeles Community Redevelopment Agency's share of this survival payment is estimated at $97 million for the first year and then $25-$50 million annually.

California's more than 400 redevelopment agencies are now fighting for their lives. The League of California Cities, California Redevelopment Association and the cities of San Jose and Union City filed a lawsuit challenging the new laws. Ana Matosantos, the Director of the California Department of Finance, is the defendant. The lawsuit claims that the state's plan to eliminate redevelopment authorities violates Proposition 22. Prop 22 bars the state from enacting new laws that require local government bodies, including redevelopment agencies, to shift local funds to schools or other agencies. It was passed by 61% of California voters in 2010.

Last month the California Supreme Court halted – for the moment – the plan to dismantle redevelopment agencies. The court will decide by January 15, 2012 whether the state's plan is legal. It issued an order to stay enforcement of the new laws, but also barred redevelopment agencies from starting any new projects, issuing bonds or purchasing or transferring any property until the suit is resolved.

Supporters of redevelopment agencies fear that their elimination would be devastating to the California economy for a number of reasons. First, they argue that the eradication of these agencies will kill jobs and shift much of the fiscal burden on cities themselves. At a time when the state faces a high unemployment rate, they argue that the redevelopment agencies provide much needed employment. They also point to the use of redevelopment to improve many areas of the state through the revitalization of public infrastructure and commercial development.

Opponents counter by pointing to a report issued by the Legislative Analyst's Office in February 2011. It notes that there are no objective or standard performance measures to gauge whether these agencies do, in fact, promote job growth or generate significant economic returns to the taxpayers. In addition, State Controller John Chiang this year published an audit of eighteen California agencies finding significant flaws with the state's redevelopment agencies. These include inaccurate audits, substandard reporting procedures and inappropriate use of housing funds.

Redevelopment agencies in California take in an estimated 12% of all property tax revenue, $5.7 billion in 2008-09. In some counties, nearly 25% of all property tax revenue goes to a redevelopment authority rather than schools, community colleges, and other local governments. In addition, redevelopment agencies have significant debt. The state controller's office estimates that redevelopment agencies had about $29 billion in debt outstanding in June 2009. And since Governor Brown announced his plan to eliminate redevelopment authorities in January and until the budget was enacted in June, redevelopment authorities rushed to approve projects and issues bonds. According *The Bond Buyer*, a public finance daily newspaper, California agencies sold $1.33 billion in bonds in the first six

Table 3: The Cities of Los Angeles County, CA

City Name	Retail Business License Fee	Property Tax	Cost Rating
BELL	14	2	$$$$$
BEVERLY HILLS	2	53	$$$$$
COMPTON	21	4	$$$$$
CULVER CITY	5	62	$$$$$
EL MONTE	22	9	$$$$$
EL SEGUNDO	1	55	$$$$$
GARDENA	12	74	$$$$$
HAWTHORNE	6	20	$$$$$
HUNTINGTON PARK	15	10	$$$$$
INGLEWOOD	7	12	$$$$$
LOS ANGELES	4	23	$$$$$
POMONA	47	31	$$$$$
SAN FERNANDO	11	8	$$$$$
SANTA MONICA	3	43	$$$$$
TORRANCE	10	73	$$$$$
ALHAMBRA	28	51	$$$$
ARCADIA	42	22	$$$$
ARTESIA	16	24	$$$$
AZUSA	31	45	$$$$
BURBANK	51	60	$$$$
CERRITOS	65	66	$$$$
CLAREMONT	56	39	$$$$
CUDAHY	24	50	$$$$
GLENDALE	73	41	$$$$
INDUSTRY	74	1	$$$$
IRWINDALE	17	71	$$$$
LA VERNE	23	44	$$$$
LOMITA	9	19	$$$$
LONG BEACH	40	30	$$$$
LYNWOOD	48	11	$$$$
MANHATTAN BEACH	8	63	$$$$
MAYWOOD	25	17	$$$$
MONTEREY PARK	32	21	$$$$
NORWALK	34	27	$$$$
PASADENA	33	35	$$$$
PICO RIVERA	18	7	$$$$

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

City Name	Retail Business License Fee	Property Tax	Cost Rating
REDONDO BEACH	27	5	$$$$
SAN GABRIEL	39	16	$$$$
WEST HOLLYWOOD	13	47	$$$$
BALDWIN PARK	45	36	$$$
BELLFLOWER	55	57	$$$
CALABASAS	71	69	$$$
CARSON	20	49	$$$
COVINA	54	61	$$$
DOWNEY	38	58	$$$
LAKEWOOD	30	64	$$$
LAWNDALE	44	54	$$$
MONROVIA	37	18	$$$
MONTEBELLO	36	13	$$$
PALMDALE	58	15	$$$
PARAMOUNT	59	14	$$$
ROSEMEAD	66	3	$$$
SOUTH EL MONTE	26	26	$$$
SOUTH GATE	19	48	$$$
Unincorporated LOS ANGELES CO.	72	25	$$$
VERNON	49	6	$$$
WHITTIER	52	52	$$$
BELL GARDENS	62	40	$$
COMMERCE	35	29	$$
DIAMOND BAR	68	32	$$
DUARTE	61	42	$$
GLENDORA	57	65	$$
LA MIRADA	43	70	$$
LA PUENTE	50	56	$$
LANCASTER	64	37	$$
SAN DIMAS	41	59	$$
SANTA CLARITA	70	28	$$
SANTA FE SPRINGS	53	38	$$
SIGNAL HILL	60	46	$$
TEMPLE CITY	46	34	$$
WALNUT	63	33	$$
WEST COVINA	29	72	$$
AGOURA HILLS	67	67	$
WESTLAKE VILLAGE	69	68	$

months of 2011, more than the total for all of 2010, $1.18 billion.

With so much money at stake, both the redevelopment community and the Brown administration are ready to fight. The plaintiffs in the suit challenging the new laws are thrilled with the progress of their case so far. “We filed this suit to ask the court to determine whether what the Legislature and governor did was constitutional, and we think this [the court order staying enforcement of various aspects of the law] is an early but very important sign that they think our case is legitimate,” said Chris McKenzie, executive director of the California League of Cities, to the *San Francisco Chronicle*.

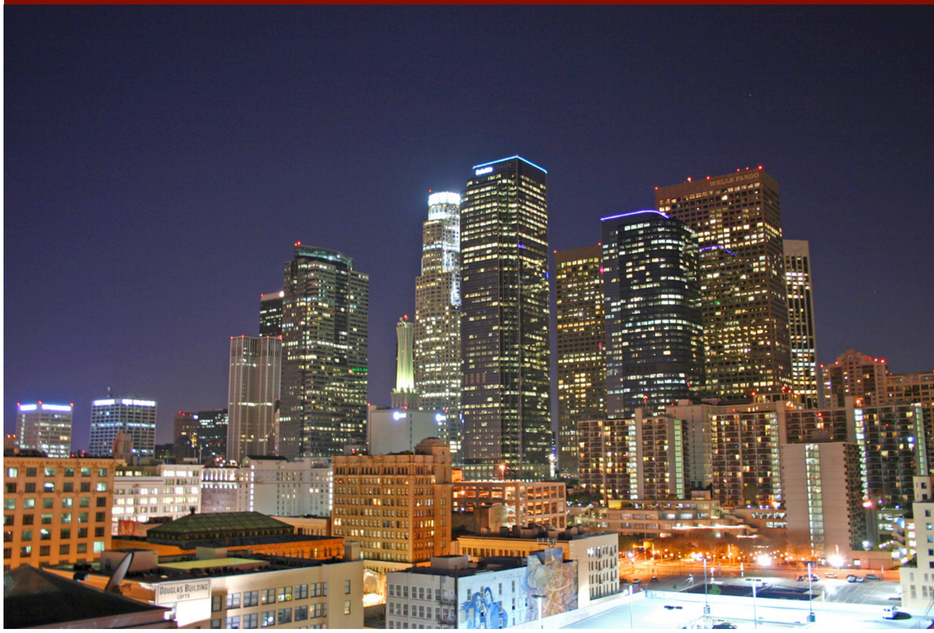
The Brown administration, however, also sounds confident. “We are pleased with the terms of the Supreme Court’s order. We specifically asked to take the case and put it on the fast track for consideration,” H.D. Palmer, a spokesman for the Department of Finance, told the *Chronicle*. He notes that “Redevelopment agencies were created by an act of the Legislature and they can be eliminated by an act of the Legislature.”

The California Supreme Court expects to reach its decision by January 15, 2012. Please see Redevelopment Authorities Under Fire on Rosereport.org for a detailed analysis of redevelopment authorities in California

California Taxable Retail Sales Through the Recession

As the United States inches toward recovery, many California residents wonder whether the Golden State is on the same path. Is California leading the rest of the nation, similar to the role of China in leading the global economy out of the recession? Perhaps California is in the middle of the pack? Or worse yet, is California, the world’s eighth largest economy behind Italy, acting as dead weight, slowing down the pace of recovery for the entire nation?

A look at the unemployment numbers suggests the third alternative. Seasonally adjusted data show that unemployment peaked in the U.S. at 10.1% for a month back in October of 2009. California lagged by almost a full year to



"If we can't fix these government problems and get the economy going, the frame work of city finance is potentially at risk."

-Larry Kosmont

experience its peak (12.5%) in September of 2010, and unlike the rest of the nation, California's peak was more of a plateau, as unemployment stayed at that level through the rest of the calendar year, taking until January of 2011 to decline to 12.4%.

Another metric by which California's rate of recovery can be assessed is taxable retail sales levels and how they have changed over the past few years. Taxable retail sales is the aggregate spending on items such as motor vehicles, gasoline, food and beverages, furniture, electronics, building materials, clothing, etc. Using taxable retail sales (TRS) as an economic indicator is a useful way to determine how willing consumers are to engage in discretionary spending. Higher levels of discretionary spending suggest a healthy economy, as consumers feel financially comfortable and money flows freely.

It should be no surprise, then, that through the recession, the level of TRS in California as a whole took a sizable hit. From its high of $386 billion in 2007, California has seen a decrease of $75 billion in taxable retail sales, falling to $311 billion in 2009. In fact, TRS has not been that low in California since 2002, when nominal TRS was just above $300 billion. A somewhat broader economic indicator of total taxable sales (TTS) (which includes retail sales as well as construction, manufacturing, wholesale, real estate, etc.) paints a similar picture. California is currently at $456 billion, $100 billion short of the 2007 high of $560 billion, and at a nominal level that has not been seen since 2003, when TTS was at $458 billion.

So how do these losses break down at the county and city level? Between 2007-2009, while the rest of the state experienced a 19% drop in TRS levels, San Francisco County fared the best out of the 14 economically largest counties, dropping only 15%. Over a seven year period, from 2003-2009, it experienced nominal growth of 10%, which, when adjusted for inflation, was actually a 6% decrease in real sales levels. On the opposite end of the spectrum are San Bernardino County, Riverside County, and Sacramento County, which over the two year period from 2007-2009 lost 23%, 24%, and 21% of TRS value. The story gets worse for the county that houses California's capital, as over the past seven years, Sacramento County's TRS level has dropped a nominal 12%, which is a 25% inflation adjusted decline.

California's three largest counties are just about in the middle of the pack, in terms of TRS. Los Angeles County, Orange County, and San Diego County fell by 18%, 20%, and 18%, respectively, in TRS, and 18%, 20%, and 16%, respectively, in TTS. The total effect of these drops is $31.6 billion lost in TRS and $44.4 billion lost in TTS. These three counties account for 40% of California's decline in TRS and TTS.

Among the California cities in the *Kosmont Survey*, Fillmore in Ventura County was hit the hardest by the recession, experiencing a 51.4% decline in TRS over the two year period from 2007-2009 and a 74.5% decline in TTS. Of the larger cities, San Bernardino, Riverside, Irvine, and San Jose saw respective drops of 33.5%, 29.7%, 28.6%, and 22.3%. The city with the largest two year gain in TRS was Loma Linda in San Bernardino County, gaining 27.1%, though overall, the city actually lost 6.4% of TTS. The city that fared the second best was Compton, gaining 18.6% of TRS and 2.9% of TTS. Pasadena in LA County and Oceanside in San Diego

"If you're in business right now, there are good deals to be struck with cities."

-Larry Kosmont

County did relatively better than their fellow large cities, losing 5.5% and 8.1% of TRS, respectively.

The overall decrease in taxable retail sales has important implications for the state's budget, which historically has depended on sales and use tax to provide 30% of all revenues. The highest tax revenue brought in from the sales and use tax was $27.6 billion in the 2005-06 fiscal year, which stretches from July to June. During the 2008-09 fiscal year, revenue dropped to $23.8 billion, a 13% decline. Adjusting for inflation, the tax revenue from FY2009 was actually 22% lower than in FY2006, and it was at a level that California had not seen since FY1998.

After bottoming out, California took measures to bolster the sales tax revenue, enacting the 1% sales tax increase across California on April 1, 2009. Since then, revenue levels have climbed back slowly to an estimated $27.0 billion for the FY2011, though this amount, when adjusted for inflation, is only at the FY2003 level.

With sales tax revenue still relatively weak, it remains to be seen whether or not doing away with the temporary 1% sales tax increase (which expired July 1, 2011) was a good idea. Perhaps eliminating the increase will encourage additional spending, adding fuel to California's recovery and eventually growing overall sales tax revenue.

Taxable Retail Sales and Cost Ratings

The *Kosmont Survey* analyzes the relative cost of doing business in cities throughout the United States. We start with a sample of 421 cities and research all business related fees and taxes assessed, standardize the data and then compute individual 'Kosmont Cost Ratings' for each city. The ratings range from one dollar sign ($) – representing a relatively very low cost city – to five dollar signs ($$$$$) – representing a relatively very high cost city.

Simple microeconomic theory predicts that in the long run cities with low cost structures should see an influx of businesses, as cost conscious owners relocate to places offering them the best chance to be competitive and maximize their profits. But does this economic theory play out in today's business world? Do the cities in the *Kosmont Survey* with lower Cost Ratings have more business activity that those with higher Cost Ratings?

We analyzed Taxable Retail Sales (TRS) for cities with different Kosmont Cost Ratings to see if the Cost Rating is correlated with economic success. Taxable Retail Sales is a reliable indicator of business activity because it measures total spending on items such as motor vehicles, gasoline, food and beverages, furniture, electronics, building materials, clothing, etc. In theory, if two cities were exactly the same, except that one was rated $$$$ (high cost) while the other was rated $$ (low cost), businesses would choose to set up shop in the low cost city. That city would then reap tax revenue from many sources, yielding a higher TRS than its high cost neighbors.

We ran a simple linear regression to test if there is a correlation between Cost Rating and TRS. We chose cities in Orange County because Orange County has the second highest economic output (as measured by TRS levels) in California, right behind Los Angeles. In contrast to Los Angeles County, Orange County is not dominated by a single city and instead has many cities included in the *Survey*. We chose these particular cities because they are in a close proximity to one another. This is important because businesses are more likely look at neighboring cities when shopping around, rather than ones across the country. In addition, neighboring cities are relatively similar geographically, demographically, and socioeconomically, and all face the same state taxes, helping to keep 'all else equal' in the analysis.

Our basic regression analysis found a statistically and economically significant correlation between Cost Ratings and TRS levels. On average, for every additional $ in a city's Cost Rating, the city can expect to lose $1,889.69 in taxable retail sales per capita. The trend is exemplified by Anaheim, Irvine, and Costa Mesa, three cities that are all either Very Low Cost or Low Cost cities, yet also the three highest TRS and TTS producers. On the other hand, two of the three most expensive cities in Orange County, Placentia and Seal Beach, have among the lowest TRS and TTS levels.

Although correlation can never quite imply causality, the *Kosmont Survey* results show that increasing tax rates at the most local level may scare businesses away rather than raising more revenue from them over the long term.

Findings for the Golden State

Los Angeles County

Tables 3 and 4 list the cost ratings and rankings for retail business license fees and property taxes for the cities surveyed in Los Angeles County. Please note that the license fee and property tax rankings are in comparison to only the other cities in the county. Any equal fees or rates get the same ranking.

Los Angeles County, California's most populous county, continues to be one of the most expensive areas in the state. Of the seventy-four Los Angeles County cities surveyed, more than half received a rating of Very High Cost or High Cost, giving the county the distinction of having a higher proportion of high cost cities than all but one other surveyed California county. Within Los Angeles County there are fifteen Very High Cost ($$$$$) cities, twenty-four High Cost ($$$$) cities, eighteen Average Cost ($$$) cities, fifteen Low Cost ($$) cities, and only two Very Lost ($) cities. In the past few years the number of Very Low Cost cities has dropped from six in 2009, to three in 2010, and now to two. This means that less than 3%

Cost Rating Map of San Bernadino County

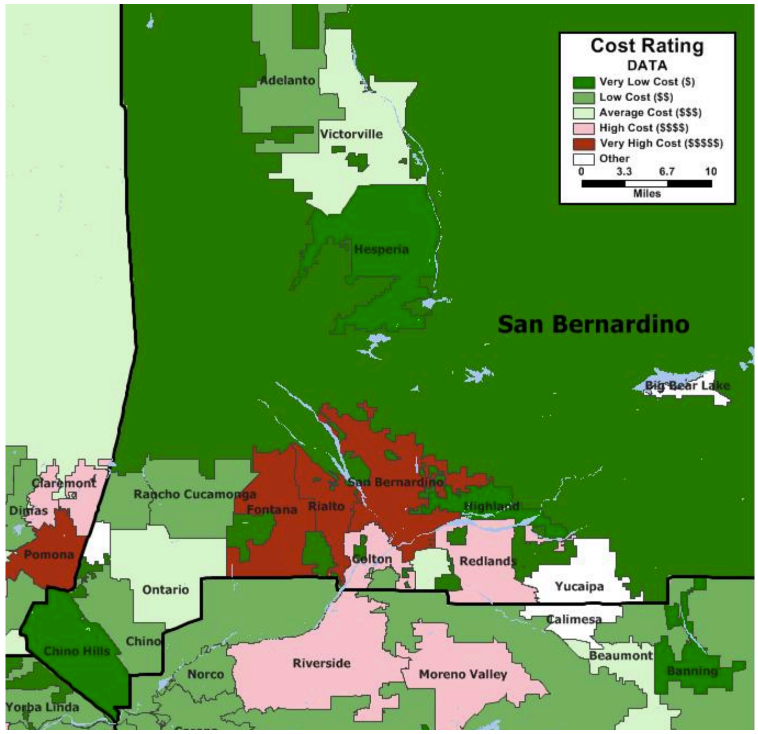


Table 5: The Cities of San Bernardino County, CA

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

Cost Rating Map of Riverside County

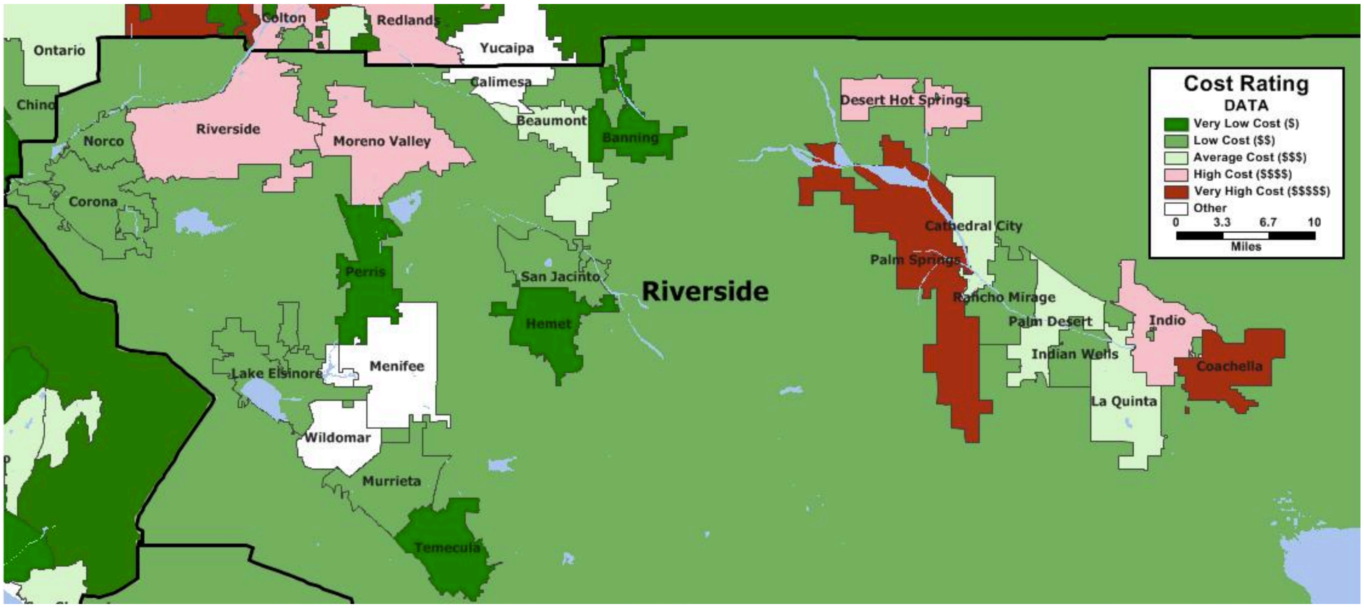


Table 6: The Cities of Riverside County, CA

City Name	Retail Business License Fee	Property Tax	Cost Rating
COACHELLA	1	3	$$$$$
PALM SPRINGS	10	1	$$$$$
DESERT HOT SPRINGS	11	8	$$$$
INDIO	3	12	$$$$
MORENO VALLEY	2	10	$$$$
RIVERSIDE	9	14	$$$$
BEAUMONT	17	9	$$$
CATHEDRAL CITY	8	5	$$$
LA QUINTA	7	4	$$$
PALM DESERT	4	19	$$$
CORONA	5	20	$$
INDIAN WELLS	19	21	$$
LAKE ELSINORE	20	6	$$
MURRIETA	12	13	$$
NORCO	6	15	$$
RANCHO MIRAGE	15	7	$$
SAN JACINTO	13	11	$$
Unincorporated RIVERSIDE CO.	22	2	$$
BANNING	16	22	$
HEMET	14	18	$
PERRIS	18	16	$
TEMECULA	21	17	$

of the Los Angeles County cities received this rating, while 23% of Los Angeles County cities are rated lower than Average Cost cities to do business in.

Of the fifty most expensive cities featured in the *Survey,* eight are located within Los Angeles County, no change from last year. Los Angeles, Santa Monica, Culver City, and Beverley Hills are all among the twenty most expensive cities nationwide. Moreover, no Los Angeles County cities are in the fifty least expensive cities in the country. A very high sales tax is one factor that makes doing business in Los Angeles County so expensive. In 2009 a measure was passed to raise the county-wide minimum sales tax rate to 9.25%. Prior to July 1, 2011, half of the Los Angeles County cities had rates above the 9.25% minimum. Thirty-three cities had rates of 9.75%, two had rates of 10.25%, and two, South Gate and Pico Rivera, had rates of 10.75%.

Geographically, all of the most expensive cities ($$$$$) are clustered around the City of Los Angeles except San Fernando and Pomona. Los Angeles, the most expensive city in the county, has the highest business license, transient occupancy, and documentary transfer taxes as well as some of the highest parking, electricity, and gas taxes. Moving outwards, it is easy to see just how willing businesses are to be close to Los Angeles, as the business license fees in these neighboring cities are extremely high.

Cost Rating Map of San Diego County

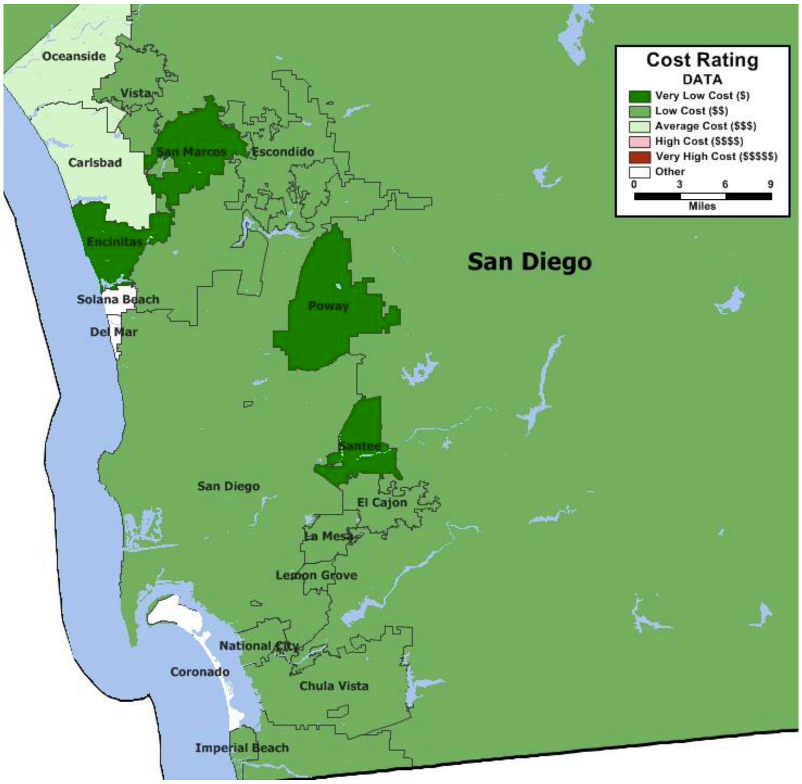


Table 7: The Cities of San Diego County, CA

City Name	Retail Business License Fee	Property Tax	Cost Rating
CARLSBAD	2	10	$$$
OCEANSIDE	1	11	$$$
CHULA VISTA	6	4	$$
EL CAJON	9	9	$$
ESCONDIDO	4	6	$$
IMPERIAL BEACH	7	7	$$
LA MESA	10	3	$$
LEMON GROVE	12	2	$$
NATIONAL CITY	5	15	$$
SAN DIEGO	8	5	$$
Unincorporated SAN DIEGO CO.	16	1	$$
VISTA	3	16	$$
ENCINITAS	14	14	$
POWAY	15	13	$
SAN MARCOS	11	8	$
SANTEE	13	12	$

Seven Los Angeles County cities in the immediate Los Angeles area have retail business license fees over $10,000. All of the other Very High Cost cities have fees ranging from $2,120 to $6,620, except for Lynwood, which only charges $730.

Five cities in Los Angeles County, in addition to unincorporated areas of the county, do not have any retail business license fees. These cities are the City of Industry, Glendale, Calabasas, Santa Clarita, and Westlake Village. Glendale is the closest to the immediate area of the city of Los Angeles, while the other cities are in outer areas of the county. The City of Industry, which charges no business licensing fees and has no utility taxes, does have the highest property tax rate in the county at 1.91%. All of the property tax rates in the county fall between 1% and 2%, with the large majority below 1.5%, and the lowest in Gardena, where the rate is exactly 1%.

San Bernardino County

Table 5 lists the retail business license fees rankings and property tax rankings for cities included in the *Survey* from San Bernardino County.

San Bernardino County is a Low Cost County with eleven of the nineteen cities calculated to be Low Cost ($$) cities or Very Low Cost ($) cities. Additionally, three cities were calculated as Average Cost ($$$), two as High Cost ($$$$), and three as Very High Cost ($$$$$). The five cities calculated as above Average Cost all lie on the border between San Bernardino County and Riverside County.

San Bernardino, the county seat, is one of the three Very High Cost Cities, and has some of the highest costs within the county. For one, the sales tax is 9%, compared to the 8.75% sales tax throughout the rest of the county. The business license fee is also the highest in the county, and on average is 20% higher than the next most expensive city's retail business license fee. San Bernardino also has a 7.75% utility tax on electricity, gas, telephones, and cellular.

Rialto is the only city with higher utility taxes, charging 8% for the aforementioned utilities, as well as cable and water. Rialto is also a Very High Cost

City, ranking third for business license fees and third in property taxes. All of the property taxes in San Bernardino County range between 1% and 1.35%. Victorville, an Average Cost city, has a property tax rate of 1.35%, but maintains its Average Cost with a relatively small business license fee and no utility taxes. Only three other cities in San Bernardino County have utility fees: Fontana (5%), Colton (6%), and Loma Linda (3%).

In addition to the unincorporated areas of San Bernardino County, Chino Hills, Highland, Apple Valley, and Hesperia are the Very Low Cost cities. Chino Hills and Hesperia have the two lowest business license fees, while Highland and Apple Valley also have reasonably low fees. Highland, Apple Valley, and Hesperia all have the lowest property taxes in the county of 1%, while Chino Hills is at 1.05%. Unincorporated San Bernardino County has no business license fees at all, as well as no utility taxes, but it does have a mid-range property tax rate for the county of 1.13%. Thus, the unincorporated areas of the county are calculated to be Very Low Cost.

Riverside County

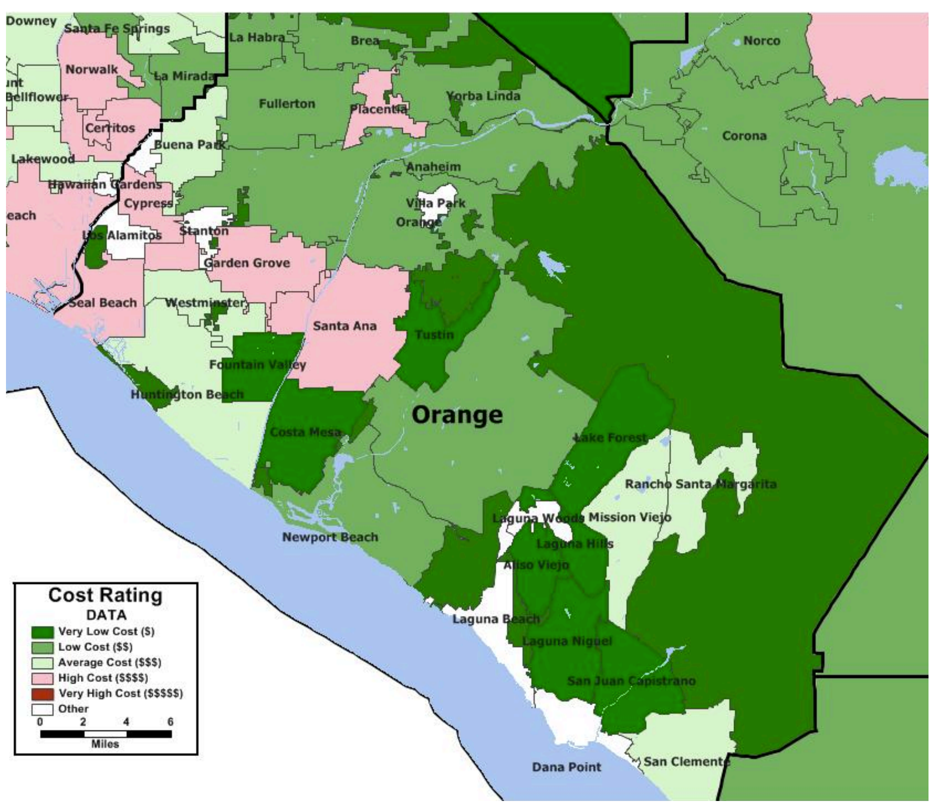
Table 6 lists the ranking for retail business license fees as well as the ranking for property tax rates for the cities surveyed within Riverside County.

Riverside is a Low Cost city with twelve of the twenty-one cities rated as Low Cost or Very Low Cost cities. Specifically, four cities are Very Low Cost ($) and eight are Low Cost ($$), while four cities are Average Cost ($$$), four are High Cost ($$$$), and two are Very High Cost ($$$$$).

The two Very High Cost cities are Coachella and Palm Springs. Coachella has the highest rank in retail business license fees,

Riverside, San Bernardino, Orange, and San Diego Counties remain some of the very best places to do business in California

Cost Rating Map of Orange County



and is an outlier with a fee of $7,000 for a medium sized company, compared to the next highest fee of $2,588 in Moreno Valley. Coachella also has a higher than average property tax rate of 1.25%, ranking third in the county, as well as a 5% tax rate for all utilities. Palm Springs is ranked number one for property taxes, with a rate of 1.92% being the primary reason for their high cost rating. Palm Springs has moderate utility tax rates with 5% for electricity and gas, 4.5% for telephone and cellular, and no taxes for cable or water, as well a moderate retail business license fee of $882 for a medium sized business.

Only nine of the twenty-one cities from Riverside in the *Survey* have retail business license fees over one thousand, and four cities having fees less than one hundred. Although no cities have no fee at all, the lowest is $30 in the Unincorporated areas of Riverside, followed by $35 in Temecula. All of the cities except Banning (a Very Low Cost city), Palm Springs (a Very High Cost City) have property tax rates between 1.00% and 1.30%. Additionally, eleven cities have no utility taxes at all, while two more have taxes for only three types of utilities, all of which are 5% or below. Conversely, Desert Hot Springs and Riverside have the highest utility taxes, with rates for all utilities at 7.0% and 6.5%, respectively.

The four Very Low Cost cities are Banning, Hemet, Perris, and Temecula. None have utility taxes, and they have some of the lowest property tax rates, all below 1.05%, with Banning having the lowest in the county at 0.93%. The business license fees of the four cities all are below $500, further contributing to the reason why they are the least expensive cities of the county to do business in.

San Diego County

Table 7 lists the ranking for retail business license fees as well as the ranking for property tax rates for the cities surveyed within San Diego County.

San Diego has historically been one of the lowest cost counties surveyed and this year remains in the number one spot for low cost. Of the 16 cities

Table 8: The Cities of Orange County, CA

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

surveyed, only two cities, Oceanside ($$$$) and Carlsbad ($$$), are considered Average Cost ($$$) or higher. The reason why these cities are more expensive than their peers is due mostly to their higher business license fees. These two cities have the highest average fee throughout the county.

San Diego is such a low cost area because the fees and taxes are much lower across the board compared to the rest of California. The most glaring differences can be seen in the business tax rates and the utility tax rates. San Diego County's average business license tax rates are 60% lower than the state average, and only one city in San Diego, Chula Vista, was found to charge utility taxes.

Lemon Grove is the only city surveyed (not including the Unincorporated San Diego) that assessed a higher property tax (1.16%) than the state average (1.156%), but it remains a low cost city by charging very low business license fees. It is interesting to note that Property Tax ranks amongst San Diego cities do not have much correlation with their respective Cost Ratings. The explanation is that all the property tax rates are clumped very closely to one another (with the exception of the Unincorporated San Diego County), and therefore do little to differentiate a city's overall cost level.

Table 9: The Cities of Ventura County, CA

City Name	Retail Business License Fee	Property Tax	Cost Rating
OXNARD	4	9	$$$$
PORT HUENEME	1	5	$$$$
Unincorporated VENTURA CO.	2	4	$$$$
SIMI VALLEY	3	6	$$$
VENTURA	7	2	$$$
CAMARILLO	5	7	$$
FILLMORE	8	3	$$
THOUSAND OAKS	6	1	$$
MOORPARK	9	8	$

Orange County

Table 8 lists the retail business license fees rank and property tax rank for cities surveyed in Orange County.

Compared to the rest of California, Orange County remains a relatively low cost county with fees and taxes that are business friendly. Of the 27 counties surveyed, 22 are ranked Average Cost ($$$) or lower, while the remaining five cities are ranked High Cost ($$$$).

As a whole, Orange County has business license fees and utility taxes that are much lower than the California average. Twenty one of the surveyed cities have business license fees that are a full 50% lower than the California average, while only four cities are actually above the average. Altogether, Orange County's average business license fees are about 57% lower than the California average. The four cities that are above the average are also four of the five High Cost ($$$$) cities: Cypress, Garden Grove, Placentia, and Santa Ana. The fifth High Cost city is Seal Beach, which, though it has very low business license fees, has the highest utility taxes in the entire county. In fact, its electricity and telephone tax rates are tied for the highest in all of California at 11%. Excluding Seal Beach, Orange County on average has utility taxes that are 50% lower than the rest of California.

Aside from business license fees and utility taxes, Orange County seems to have a similar fee and tax structure as the rest of California. Average sales tax rates and property tax rates are just about the same as for the rest of the state. Property tax rates range 1% in Costa Mesa to 1.47% in Mission Viejo. Interestingly, only two cities have property tax rates above 1.12%, Mission Viejo and Rancho Santa Margarita, but both remain

Table 10: The Cities of Alameda County, CA

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

Table 11: The Cities of Contra Costa County, CA

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

Average Cost cities in large part due to the absence of business license fees and utility taxes.

Ventura County

Table 9 lists the retail business license fees rank and property tax rank for cities surveyed in Ventura County.

Ventura County is considered an Average Cost ($$$) county as can be seen by the mix of Cost Ratings in Table 9. There are as many High Cost ($$$$) cities as there are Low Cost ($$) cities, two Average Cost cities, and one Very Low Cost ($) city.

Compared with the rest of California, Ventura County cities tend to have higher business license fees but lower utility tax rates. Of the 9 cities surveyed, four of them, Simi Valley, Oxnard, Unincorporated Ventura, and Port Hueneme, have business license fees higher than the state average. In fact, the average license fee amongst the four is twice the California average fee. As for utility taxes, only two cities, Ventura and Port Hueneme, assess them.

Businesses should appreciate the lower than average sales tax rates that exist in Ventura County. Most cities have a tax rate of only 8.25%, though Ventura and Port Hueneme do have a slightly higher tax of 8.75%. These rates are somewhat lower than the state average of 9.17%.

Alameda and Contra Costa Counties

Tables 10 and 11 lists the retail business license fees rank and property tax rank for cities surveyed in Alameda and Contra Costa Counties.

Alameda is one of the highest cost California counties with six Very High Cost ($$$$$) cities, one High Cost ($$$$) city, four Average Cost ($$$) cities, and only one Low

Cost Rating Map of the Bay Area

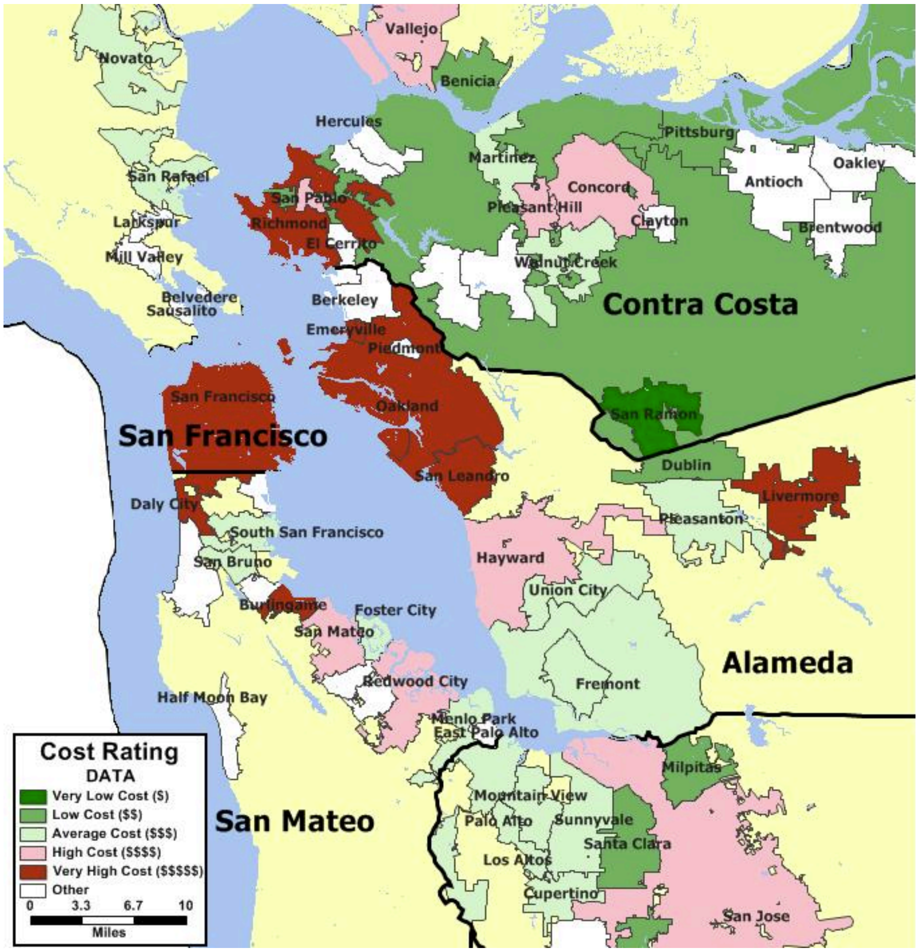


Table 12: The Cities of San Mateo County, CA

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

Cost ($$) city. With the exception of property taxes, Alameda County is considerably more expensive across the board when compared to other California cities.

Of the twelve cities surveyed in Alameda County, only two Dublin and Union City, have business license fees below the state average, though it is not enough to prevent Alameda County from having an average business license fee that is almost 2.5 times higher than the state average. In fact, Berkeley has one the highest average business license fee in the state, as a business with $10 million in revenues would have to pay close to $12,000 in fees per year. For utility taxes, Alameda County is close to 50% higher than the state average tax rate. Sales tax is 9.75% across the board.

Contra Costa, on the other hand, is an Average Cost County with fees and taxes that are closely in line with the California average rates. There is only one Very Low Cost city, San Ramon, and only one Very High Cost city, Richmond. Otherwise, the rest of the eleven cities surveyed all evenly distributed across the Cost Rating spectrum.

When it comes to business taxes, only three, Pleasant Hill, Concord, and Richmond, are above the state average. The other eight cities combine to bring the average of the county in line with the overall California average. Additionally, average sales tax rates and property tax rates in Contra Costa County are close to the state average.

San Mateo and Santa Clara Counties

Tables 12 and 13 list the retail business license fees rank and property tax rank for cities surveyed in San Mateo and Santa Clara Counties.

San Mateo County is a relatively High Cost ($$$$) county, as two of the eight cities surveyed are Very High Cost ($$$$$), two are

Table 13: The Cities of Santa Clara County, CA

City Name	Retail Business License Fee	Property Tax	Cost Rating
GILROY	4	1	$$$$
LOS GATOS	1	7	$$$$
SAN JOSE	3	10	$$$$
CUPERTINO	2	4	$$$
LOS ALTOS	6	5	$$$
MOUNTAIN VIEW	11	3	$$$
PALO ALTO	12	9	$$$
SUNNYVALE	5	11	$$$
CAMPBELL	9	2	$$
MILPITAS	10	12	$$
MORGAN HILL	7	6	$$
SANTA CLARA	8	8	$$

High Cost, and four are Average Cost ($$$). The main reason for the High Cost rating is due to the particularly high business license tax fees, as only one city, Burlingame, is significantly below that state average for business license tax fee. On average, license fees are 50% higher in San Mateo as compared to the rest of the state.

San Mateo County also appears to have higher average property taxes than Californian cities, with a rate of 1.33% compared to the 1.16% average. However, Burlingame pushes the average higher with its 3.03% tax rate, which happens to be the highest rate in the California. Controlling for Burlingame, San Mateo's property taxes are in line with the rest of the state.

Overall, the San Mateo County is pretty cheap when it comes to utility taxes, due in large part to the fact that only three of the eight cities have them. The other three cities, Menlo Park, Redwood City, and Daly City, all have low to average utility tax rates, which allows the County as a whole to have average utility tax rates that are 40% lower than the state.

Santa Clara County is a an Average Cost county, as three of twelve cities are High Cost, five are Average Cost, and four are Low Cost cities. When comparing its fees and taxes with the rest of California, Santa Clara County average rates are rather similar. The only difference is the business license fees, which are approximately 60% lower, on average, in Santa Clara County, mainly because only Los Gatos has higher than average fees. The sales tax rate is 9.25% for most of Santa Clara County with the exception of Campbell, which has a tax rate of 9.50%.

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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.

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Please direct any questions regarding the survey to the address above.