



Fixing California's Commercial Property Tax System Will Encourage Smart Growth, Improve our Environment, and Fight Climate Change | AUGUST 2020

■ California must do more to address the climate crisis and reduce pollution.

California is facing unprecedented wildfires, drought, heat waves, and sea level rise. Our lives, our health and well-being, and our economy are at risk.

While we have been making progress on reducing our overall greenhouse gas emissions, emissions from transportation and oil refineries have been increasing,¹ and we are not on track to reach our 2030 emissions reduction goal.²

Similarly, California has been making progress in reducing air pollution, but we still have the worst air pollution in the country, exacerbating asthma, heart and lung disease, and cancer. Seven of the top ten smoggiest cities in the US are in California—Los Angeles, Visalia, Bakersfield, Fresno/Madera, Sacramento, San Diego, and San Francisco.³

Many of our communities face continued environmental injustices, especially our communities of color and low-income communities, primarily as a result of proximity to freeways, ports, railroads, refineries, fracking and oil drilling, and other sources of air, water, and soil contamination. All Californians face elevated risk of wildfire, drought, extreme heat, and flooding.

It is clear that we must act now to minimize these harms.

■ Schools & Communities First is part of the solution.

The California Schools & Local Communities Funding Act would reclaim up to an estimated \$12 billion every year for schools and local communities by closing commercial property tax loopholes that corporations and wealthy investors use to avoid paying their fair share of property taxes.

California's current commercial and industrial property tax system has contributed to sprawl, poor health conditions, and our carbon footprint. In addition, it has starved local governments for critical revenues, limiting what they can do to address the environmental crisis. **Schools & Communities First would incentivize sustainable development and provide local governments across the state with an additional \$7 billion each year.** Local governments would be able to prioritize how the funding is used—including ways to protect and improve our environment—and the revenues will be relatively stable year-to-year.



Schools & Communities First will help address California’s environmental crisis in a number of ways:

1 Schools & Communities First will promote *smart growth, improved health conditions, and help lower our carbon emissions.*

Large numbers of commercial properties in urban areas and nearby suburbs—properties with tremendous potential for beneficial development—are currently empty lots, parking lots, gas stations, strip malls, big box retail, warehouses, or underutilized in other ways. The current commercial property tax system incentivizes these uses with low property taxes, allowing property owners to hold their land for speculative prices and thereby inflating land values.⁴

Exorbitant land prices in many places—including urban centers—and the lack of affordable housing that follows, lead to sprawling development on the edges of cities and suburbs. This results in traffic jams, long commutes, increases in vehicle miles traveled, and polluted air. For example, Stockton, Modesto, and Riverside have the largest share of super commutes—more than 1.5 hours each way—in the country.⁵ These, in turn, lead to fossil fuel consumption, toxic air quality, carbon emissions, and ultimately, to climate change.⁶

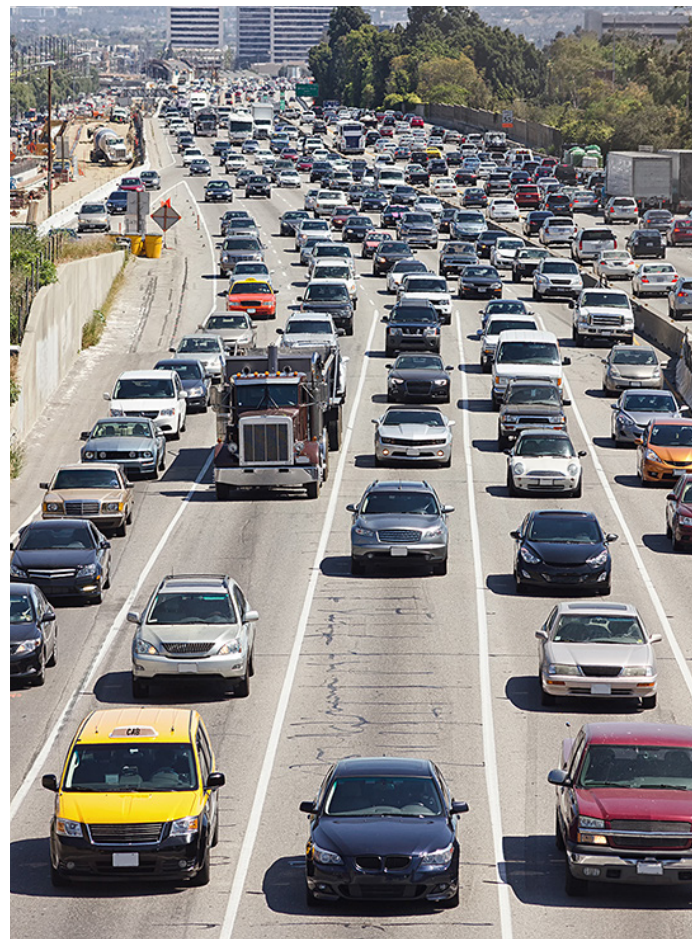
And it’s not only that. Because cities have resorted to raising revenue from a host of taxes and fees including sales taxes—due to low property taxes resulting from the lack of commercial reassessment—our system promotes auto malls and big box retail which generates sales tax—rather than intensive urban development.

In other words, the current commercial property tax system incentivizes the kind of development we don’t want and can’t have if we are to reduce sprawl, air pollution, and our carbon emissions.

Schools & Communities First can incentivize urban resiliency and will encourage the development or sale of underutilized commercial land by raising property taxes and making it more costly to do little or nothing with the land. This will incentivize smart growth—using land in urban areas and nearby suburbs for housing or mixed-use development that combines housing and commercial uses—including higher densities and transit-oriented development. This new housing will have good access to jobs, schools, public transit, and businesses, where people don’t need cars at all or don’t have long commutes. This kind of sustainable development is good for people, business, and the environment.



California has some of the worst commutes in the U.S. as measured by the share of commuters who travel 90 or more minutes to work.⁷



■ **“BIG OIL HAS BEEN POLLUTING CALIFORNIA COMMUNITIES AND UNDERMINING COMMUNITY REVITALIZATION** for decades by not paying their fair share of taxes and discouraging community redevelopment efforts. Schools & Communities First puts the well-being of vulnerable communities ahead of corporate bottom lines to reinvest in our future.”

DARRYL MOLINA SARMIENTO, Executive Director
Communities for a Better Environment

2 Schools & Communities First will end hidden subsidies to Big Oil.

Oil companies are among the oldest and the largest property owners in the state and are benefiting enormously from the current commercial property tax system. Five major oil companies are in the top 30 commercial landowners in California paying taxes on outdated (pre-2000) total assessed values: Shell, Chevron, Tosco, Exxon, and Phillips 66. Combined, their land is currently assessed at \$4.4 billion, an amount that is hugely under today's fair market value.

The Shell Oil distribution complex in Carson, California, for example, was originally built in 1924 on over 400 acres of industrial land and last reassessed in 1975 at an average of \$3.50 per square foot. Nearby adjacent properties are assessed on average at \$25 to \$40 per square foot. Shell should therefore be paying between \$4 million and \$8 million more each year to benefit local services and schools in Carson and LA County.

Similarly, Chevron should be paying an additional \$4 million each year in property taxes on the 4 square miles of land it owns and operates as a refinery in Richmond. Chevron made \$4.5 billion in profits in 2018, and yet it paid nothing in federal taxes—in fact it got a \$181 million tax rebate from the IRS that year.⁸ This is despite Chevron being a huge polluter and a terrible neighbor—over the last dozen years, the refinery has paid numerous fines and settlements for natural resource damage,⁹ unpaid taxes,¹⁰ and illness caused by a refinery fire.¹¹

The current property tax system provides a direct and unfair advantage to Big Oil in California.

Schools & Communities First will close tax loopholes that provide tremendous advantages for Big Oil. It will raise billions each year for local government, which can use the revenues to subsidize just transitions, including assisting fossil fuel workers in retraining for green jobs.

■ **“SCHOOLS & COMMUNITIES FIRST IS A LONG OVERDUE POLICY CHANGE FOR CALIFORNIA.** *Not only will it bring tremendous benefits to public education and local services, it has significant environmental, health and climate benefits as well. CLCV is proud to be an endorser and will be working to ensure its passage.”*

GLEN DAKE, President and Chair
California League of Conservation Voters



3 Schools & Communities First will provide communities with funds for *environmental protection and restoration*.

Communities have had to rely on a patchwork of ways to raise revenue as a result of the current commercial property tax system's senseless incentives. For example, local governments have implemented regressive sales taxes, school bonds, and development impact fees—fees cities charge developers to pay for the costs of the infrastructure needed to support new housing (e.g., public transit, parks, and schools). But often these fees become a barrier and discourage housing development.¹² Voters in recent elections have acknowledged the drastic need for affordable housing, transit improvements and parks/open space by approving increased taxes to address those needs.

The lack of local funding has fallen heavily on environmental services and green infrastructure.

Schools & Communities First will be a significant revenue source for local government. Cities and counties can use the new dollars to pay for the infrastructure we need to protect and restore our environment: parks and open space, public transit, affordable infill housing, stormwater infrastructure, and climate change mitigations such as fire protection, urban tree planting, and flood control.

In addition, special districts, many of which are dedicated for environmental protection and restoration, will be directly funded by the measure. This includes funding for:

- **Parks**, like the East Bay Regional Park District and the Riverside County Regional Park and Open Space District
- **Air quality**, like the Bay Area Air Quality Management District
- **Flood control** in Fresno, Orange, San Bernardino, Los Angeles, and many other counties
- **Mosquito abatement** in Merced, Sacramento, Alameda and elsewhere
- Many of the over 350 **fire protection** districts across the state

While many interventions will be necessary to completely address the environmental crisis we face, Schools & Communities First is an absolutely necessary part of a broader solution to reduce carbon emissions and improve our environment.

More information at: Yes15.org

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Schools & Communities First
has been endorsed by the following environmental
and environmental justice organizations:



Paid for by Yes on 15 - Schools and Communities First sponsored by a Coalition of Labor Groups and Social Justice Organizations Representing Families, Students and Essential Workers. Committee major funding from:

California Teachers Association
SEIU California State Council
Chan Zuckerberg Initiative Advocacy
Funding details at <http://fppc.ca.gov>