DEMAGOGUERY DOESN'T SOLVE SAN FRANCISCO'S FISCAL WOES

By Robert K. Spicker

In recent months, San Francisco City Assessor Mabel Teng has initiated a public and media relations campaign designed to apply pressure to the City's commercial property owners to forgo efforts to appeal the assessed value of their property and thereby help to alleviate the City's budget crisis, calling it good corporate citizenship. Evidently, Ms. Teng takes the term "citizenship" to mean giving up due-process rights afforded by California State law.

Property owners have the legal right to appeal the assessed value of their home or commercial property based on prevailing economic conditions. The premise is that property owners should not have to pay excessive taxes if the value of their real estate declines (due to harsh economic conditions). Accordingly, it is the City Assessor's responsibility to provide a fair and equitable assessment on the property (at the time of appeal) based on the assessed value of record and what the market reflects the building's current value to be. In the event of a dispute (with the City Assessor) over the market value, property owners can file a property tax reduction request with the City's Assessment Appeals Board.

Unfortunately, when commercial property owners began pursuing their fundamental right, the were met by a torrent of hyperbole from Ms. Teng and various members of the San Francisco Board of Supervisors about how commercial property owners are trying to avoid paying their fair share. A closer look separates fact from fiction.

The total assessed valuation for the various classifications of office buildings within the City of San Francisco amounts to more than $16.4 billion. The property tax revenues generated for the City by these office buildings exceeds $181 million per year.

In addition, developers of new office space pay fees to fund transit improvements, low-cost housing production, child-care services, public art and open space. A 250,000 square foot office building contributes more than $1.25 million for transit improvements, more than $2.8 million for low-cost housing development and $225,000 for child-care services. Office buildings with parking facilities pay a 25 percent tax on all income generated from parking, which last year equated to approximately $50 million. That revenue goes directly to San Francisco's General Fund, which helps to pay for various services, including those for the homeless.

Clearly, property owners are "good citizens," given that they serve as a primary source of funding for City programs and services.

With nearly 17 million square feet of San Francisco's commercial property vacant, rents have plummeted, drastically lowering the market value. In contrast, in the past five years, San Francisco's per capita spending has grown by 29 percent – greater than combined spending rates for the federal (at 10 percent) and California State (at 18 percent) governments! Yes, the City faces a budget deficit exceeding $350 million; and, yes, successful property tax appeals may further impact the availability of financial resources. But it is absurd to infer that the assessment appeals process provides commercial property owners a convenient loophole for paying less.

There is a nexus between a thriving business community and adequately funded City services. Mayor Gavin Newsom wants to cut City jobs, consolidate departments, overhaul of City contracting and refinance the debt, each of which is necessary. In turn, rather than support the idea of denying property owners their legal right of appeal, we should find a way to stimulate private sector growth, hence, expand the revenue base.

Demagoguery won't pull us out of the fiscal quagmire created as a result of overspending when times were good; sound fiscal planning by City officials will.

Bob Spicker is President Elect of the President of the Building Owners and Managers Association of San Francisco, an organization providing workspace for more than 6,600 businesses and more than 257,000 employees in San Francisco, Marin, Sonoma and San Mateo counties.

–30 –

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