

Cost of Doing Business Survey®

Executive Summary



ROSE INSTITUTE
OF STATE AND LOCAL GOVERNMENT



CLAREMONT MCKENNA COLLEGE



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Welcome

Introduction

In 2009, the *Cost of Doing Business Survey* celebrates its fifteenth year of publication and its seventh 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 hundreds of cities nationwide enable these individuals to easily compare the costs of doing business in different communities. The ability to compare these costs helps with important business decisions, like where to locate a specific project or even where to relocate the business itself.

The city profiles contained in the 2009 *Kosmont-Rose Institute Cost of Doing Business Survey* are the end result of a labor intensive survey process. Raw data on the fees, taxes, and economic incentives and programs that businesses may encounter in each of the cities must be collected. This information must then be analyzed for all 410 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 (\$\$\$\$), or Very High Cost (\$\$\$\$\$). In 2009, there were eighty-two Very Low Cost cities, eighty-two Low Cost cities, eighty-two Average Cost cities, eighty-two High Cost cities, and eighty-two 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 gives comparative information on the population, business license tax fees, and property taxes of the twenty most expensive cities surveyed in 2009. 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 in the United States, New York City, is

The Year in Review

Survey Highlights for 2009

National

- ◆ The ten least expensive cities in 2009 (in alphabetical order) are: Austin, TX; Cheyenne, WY; Dallas, TX; Eugene, OR; Everett, OR; Fort Worth, TX; Gresham, OR; Houston, TX; Portland, OR; and Reno, NV.
- ◆ The ten most expensive cities in 2009 (in alphabetical order) are: Akron, OH; Chicago, IL; Jersey City, NJ; Los Angeles, CA; New York, NY; Newark, NJ; Philadelphia, PA; Phoenix, AZ; San Francisco, CA; and Tucson, AZ.
- ◆ 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 2009 (in alphabetical order) are: Costa Mesa; Hesperia; Moorpark; Roseville; Sutter Creek; Unincorporated El Dorado County; Unincorporated Lake County; Unincorporated Merced County; Unincorporated Orange County; and Unincorporated Santa Barbara County.
- ◆ The ten most expensive cities in California in 2009 (in alphabetical order) are: Berkeley; Culver City; El Segundo; 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 San Bernardino, Ventura, San Diego, Alameda, Riverside, and Orange Counties.

Los Angeles County

- ◆ Of the 71 cities surveyed in Los Angeles County, less than one third (21 cities) have Cost Ratings in the lowest two brackets; with only 6 cities in the lowest bracket.
- ◆ Ten Los Angeles County cities are in the Average Cost bracket; 23 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 2009 (in alphabetical order) are: Agoura Hills; Bell Gardens; Cerritos; Diamond Bar; Glendora; Lancaster; Santa Clarita; Signal Hill; Walnut; and Westlake Village.
- ◆ The ten most expensive cities in Los Angeles County in 2009 (in alphabetical order) are: Bell; Beverly Hills; Compton; Culver City; El Segundo; Hawthorne; Inglewood; Los Angeles; Pomona; and Santa Monica.

consistently in the top five most expensive cities. In this year's *Survey*, all of the cities in the top twenty have populations of over 100,000 people.

The business license fees imposed by the cities were an even better predictor of their overall cost rating. Business license fees are a more political decision, and thus they may reflect the attitude towards business in the city.

The most expensive cities are geographically diverse, yet they

tend to be "major" cities in their respective 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 gives comparative information on the population, business fees, and property taxes of the twenty least expensive cities surveyed in 2009. 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 always predict the overall cost of doing business in a city. For example, thirteen of the twenty least expensive cities have populations of over 100,000 people, and two of the cities (Dallas and Houston) have populations of well over 1 million.

Many of the least expensive cities are located on the West Coast. They 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

Since the *Survey*'s inception, California has consistently been one of the most expensive states to operate a business in. In recent editions of the *Survey*, we reported that many California cities were becoming more competitive in the *Survey*'s rankings when compared to those in other states, due to rising out-of-state business costs. However, with California's recent sales tax increases and rapid economic slowdown during the current recession, business costs in California cities may no longer be improving in comparison to cities in other states.

On April 1, 2009, a new one percent increase in the sales tax went into effect for the state of California. Several California counties and cities also increased their local sales tax rates. As a result, the California sales tax ranges from 8.25 percent in counties with no additional district sales tax to a hefty 10.25 percent in some cities in Los Angeles County. In comparison, only two cities in the country outside of California have a sales tax higher than 10 percent: Chicago, Illinois, and Montgomery, Alabama. When combined with California's budget crisis, the deflating housing market, and the effects of the recession, these tax increases likely contributed to the high cost rankings of California cities in this year's *Survey*.

In the November 2008 election, Los Angeles County passed an additional 0.5 percent sales tax increase to finance traffic

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	4	\$\$\$\$\$
CHICAGO, IL	3	13	2	\$\$\$\$\$
CINCINNATI, OH	9	16	8	\$\$\$\$\$
COLUMBUS, OH	7	17	9	\$\$\$\$\$
CULVER CITY, CA	19	18	16	\$\$\$\$\$
EL SEGUNDO, CA	20	20	18	\$\$\$\$\$
GILBERT, AZ	16	14	7	\$\$\$\$\$
JERSEY CITY, NJ	12	7	1	\$\$\$\$\$
LOS ANGELES, CA	2	11	14	\$\$\$\$\$
MOBILE, AL	15	12	13	\$\$\$\$\$
NAPERVILLE, IL	17	10	20	\$\$\$\$\$
NEW YORK, NY	1	3	3	\$\$\$\$\$
NEWARK, NJ	11	6	6	\$\$\$\$\$
PHILADELPHIA, PA	5	2	5	\$\$\$\$\$
PHOENIX, AZ	4	4	11	\$\$\$\$\$
RICHMOND, VA	14	8	12	\$\$\$\$\$
SAN FRANCISCO, CA	6	5	15	\$\$\$\$\$
SANTA MONICA, CA	18	19	17	\$\$\$\$\$
TOLEDO, OH	10	15	19	\$\$\$\$\$
TUCSON, AZ	8	9	10	\$\$\$\$\$

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

infrastructure and repair. When the tax increase comes into effect on July 1, 2009, the sales tax in Los Angeles County will range from 9.75 percent to 10.75 percent, the highest sales tax rate in the United States.

In this year's *Survey*, there are now five California cities ranked among the twenty most expensive cities: El Segundo has joined Culver City, Los Angeles, San Francisco, and Santa Monica on the list.

Why do California cities consistently rank poorly?

According to the *Survey*'s founder, Larry Kosmont of the Los Angeles-based Kosmont Companies, the answer hinges on

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 says. "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 effectively 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 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 simply to pay 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 business climate.

Without meaningful financial help from the state, California cities are left with only 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.

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 city limits will pay additional taxes, bring paying 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 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 business with tax and fee policies, rather than reducing barriers to growth that could stimulate even greater back-end fiscal benefits.

The Recession and California’s Budget Woes

Last summer, California state senators and assemblymen were locked in a fifteen-week stalemate over the budget. After lengthy negotiations, the state budget finally passed in September of 2008, right

Table 2: The Twenty Least Expensive Cities

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

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

on the eve of the worst financial crisis since the Great Depression. The sluggish economy and dramatic decreases in projected tax revenue have Californians facing a catastrophic financial crisis.

The state government must now find an additional income to close a \$26.3 billion dollar deficit, in addition to the \$42 billion deficit that was closed by budget cuts in February 2009. In the special election held this May, California voters rejected five ballot propositions (1A through 1F) intended to close the budget gap by implementing a tax hike, selling the rights to lottery revenue, and taking money from programs for anti-smoking campaigns and mental health services (paid for by Proposition 63 in 2004 and Proposition 10 in 1998, respectively). Now the state faces extreme budget cuts just to stay afloat. Governor Arnold Schwarzenegger and state Controller John Chiang have warned that if it continues on its present course, the state will run out of money in late July 2009. To avoid a government shut down, the governor has recommended cuts in education, health care and prisons, and has called for shutting down the vast majority of state parks and eliminating popular healthcare programs.

The public is likely to look unfavorably upon these proposed cuts in government services. While many social programs will undoubtedly be subject to cuts, this could also be bad news for business in California. Time will tell whether business incentives and tax breaks will be sacrificed for social programs.

California Struggles with Fiscal Drought

In fall 2008, the sub-prime mortgage crisis hit key Wall Street

Table 3: The Cities of Los Angeles County, CA

City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
BELL	48	15	13	\$\$\$\$\$
BEVERLY HILLS	52	2	38	\$\$\$\$\$
COMPTON	17	18	2	\$\$\$\$\$
CUDAHY	63	26	42	\$\$\$\$\$
CULVER CITY	45	4	25	\$\$\$\$\$
EL MONTE	10	17	7	\$\$\$\$\$
EL SEGUNDO	65	6	53	\$\$\$\$\$
HAWTHORNE	21	8	17	\$\$\$\$\$
HUNTINGTON PARK	32	19	6	\$\$\$\$\$
INGLEWOOD	11	7	8	\$\$\$\$\$
IRWINDALE	69	20	69	\$\$\$\$\$
LOS ANGELES	1	1	22	\$\$\$\$\$
LYNWOOD	26	65	20	\$\$\$\$\$
MANHATTAN BEACH	53	3	51	\$\$\$\$\$
PASADENA	6	18	31	\$\$\$\$\$
POMONA	5	13	25	\$\$\$\$\$
SANTA MONICA	20	5	38	\$\$\$\$\$
TORRANCE	7	14	42	\$\$\$\$\$
ALHAMBRA	19	29	42	\$\$\$\$
ARCADIA	34	33	17	\$\$\$\$
AZUSA	41	32	38	\$\$\$\$
BELLFLOWER	25	61	53	\$\$\$\$
BURBANK	15	49	56	\$\$\$\$
CLAREMONT	51	16	34	\$\$\$\$
COVINA	40	53	56	\$\$\$\$
DOWNEY	12	34	56	\$\$\$\$
GARDENA	31	11	71	\$\$\$\$
GLENDALE	4	65	34	\$\$\$\$
LA VERNE	54	39	56	\$\$\$\$
LAWNDALE	55	41	51	\$\$\$\$
LOMITA	62	10	42	\$\$\$\$
LONG BEACH	3	35	25	\$\$\$\$
MAYWOOD	57	25	16	\$\$\$\$
MONTERREY PARK	30	24	17	\$\$\$\$
NORWALK	14	44	8	\$\$\$\$
PICO RIVERA	28	21	4	\$\$\$\$

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

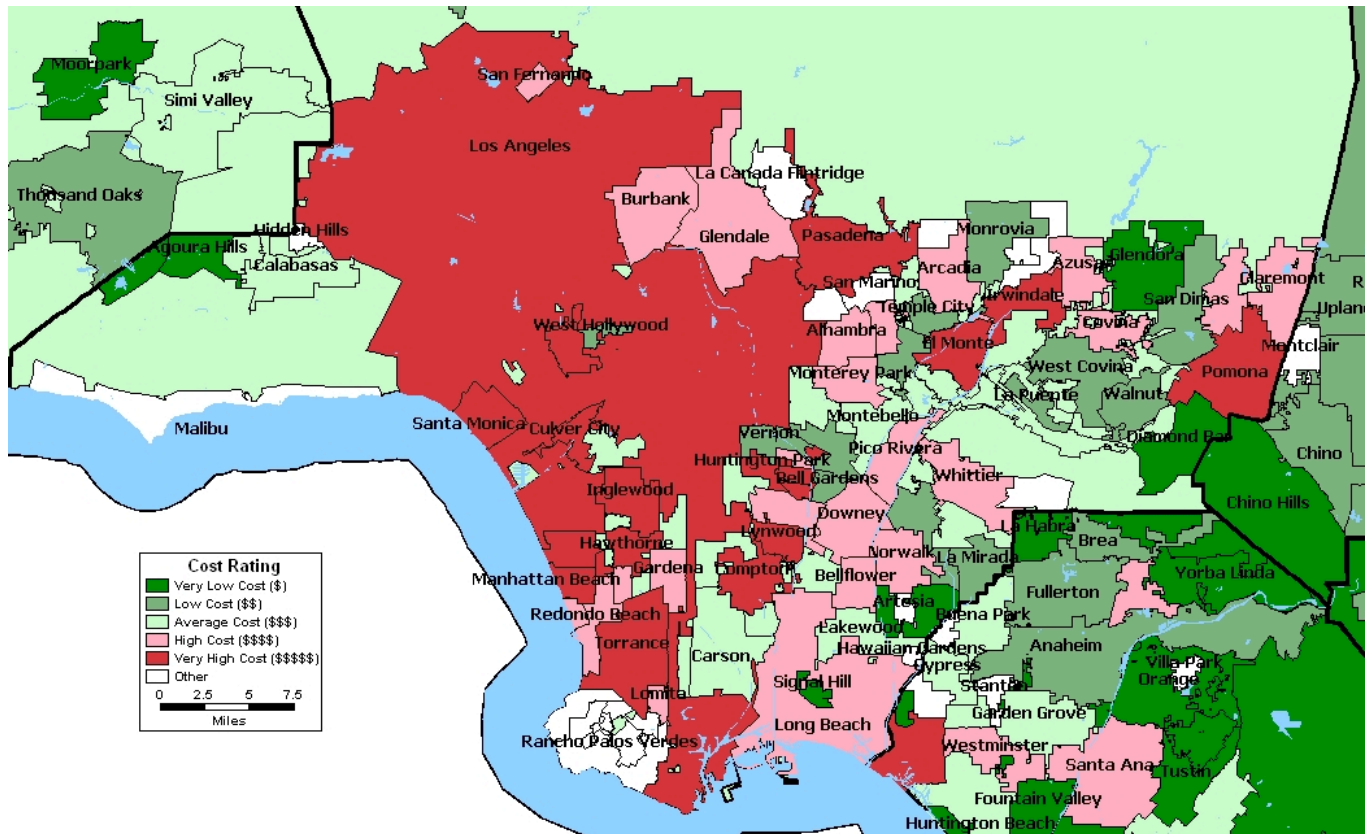
City Name	Population Ranking	Business License Fee Ranking	Property Tax Ranking	Cost Rating
REDONDO BEACH	27	28	3	\$\$\$\$
SAN FERNANDO	58	9	5	\$\$\$\$
SAN GABRIEL	43	31	15	\$\$\$\$
SOUTH GATE	16	12	42	\$\$\$\$
WHITTIER	22	48	42	\$\$\$\$
BALDWIN PARK	24	42	32	\$\$\$
CALABASAS	60	65	65	\$\$\$
CARSON	18	22	42	\$\$\$
INDUSTRY	70	65	1	\$\$\$
LAKEWOOD	23	23	62	\$\$\$
MONTEBELLO	29	37	8	\$\$\$
PALMDALE	9	36	13	\$\$\$
PARAMOUNT	35	57	8	\$\$\$
SOUTH EL MONTE	61	27	24	\$\$\$
UNINCORP L.A. CO.	2	64	22	\$\$\$
BELL GARDENS	42	59	42	\$\$
COMMERCE	66	46	25	\$\$
LA MIRADA	39	43	68	\$\$
LA PUENTE	44	50	53	\$\$
LANCASTER	8	60	32	\$\$
MONROVIA	46	38	20	\$\$
ROSEMEAD	36	62	8	\$\$
SAN DIMAS	50	40	56	\$\$
SANTA CLARITA	5	65	25	\$\$
SANTA FE SPRINGS	64	52	34	\$\$
TEMPLE CITY	47	45	30	\$\$
VERNON	71	51	30	\$\$
WALNUT	56	54	38	\$\$
WEST COVINA	13	30	70	\$\$
W. HOLLYWOOD	49	47	42	\$\$
AGOURA HILLS	59	63	65	\$
CERRITOS	37	58	62	\$
DIAMOND BAR	33	65	34	\$
GLENDORA	38	56	62	\$
SIGNAL HILL	67	55	56	\$
WESTLAKE VILLAGE	68	65	65	\$

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

firms and prompted an unprecedented government intervention in the economy to support ailing industries. As financial conditions rapidly worsened, the federal government provided massive bail outs to major financial institutions like Bear Stearns, AIG, Freddie Mac and Fannie Mae, Merrill Lynch, and major banks. The Federal government also acquired controlling shares in General Motors Corporation (GM) as well as a number of other banking and investment corporations. The full effect of the recession has caused industries across the country to hemorrhage jobs, overall production and output to slow, and home values to depreciate. In a desperate response to what may be the worst recession since the 1930s, California has slashed the state budget and many California cities have raised taxes in an attempt to combat their fiscal troubles.

Unemployment is one of the key indicators of the crisis facing California. According to the Bureau of Labor Statistics, statewide unemployment has jumped from 6.6 percent in April 2008 to a staggering 11 percent in April 2009. As numbers from April 2009 reveal, the outlook is even worse for some metro areas: 14.8 percent in the Bakersfield California Metropolitan Statistical Area (CMSA), 26.9 percent in the El Centro CMSA, 15.5 percent in the Fresno CMSA, 16.8 percent in the Modesto CMSA and 12.6 percent in the Riverside-San Bernardino-Ontario CMSA. The news is slightly better in the Los Angeles, San Diego, and San Francisco metro areas, although these figures still reflect a large increase in unemployment over the last year. In 2008 LA County alone lost nearly 65,000 jobs and this year has been

Map of Los Angeles County



worse than last year with LA County losing close to 195,000 jobs within first five months of 2009.

Widespread unemployment quickly cascades into a broad array of fiscal and social problems statewide. Job losses translate into an overall decrease in consumption and taxable income, which in turn decreases state tax revenue. Unemployed citizens are often unable to pay their bills, resulting in more home foreclosures and bank troubles. As fewer people work and the tax revenue they provide decreases, the state must respond to shrinking coffers and dramatically reevaluate state services, putting more jobs at risk.

Vulnerability of California Cities

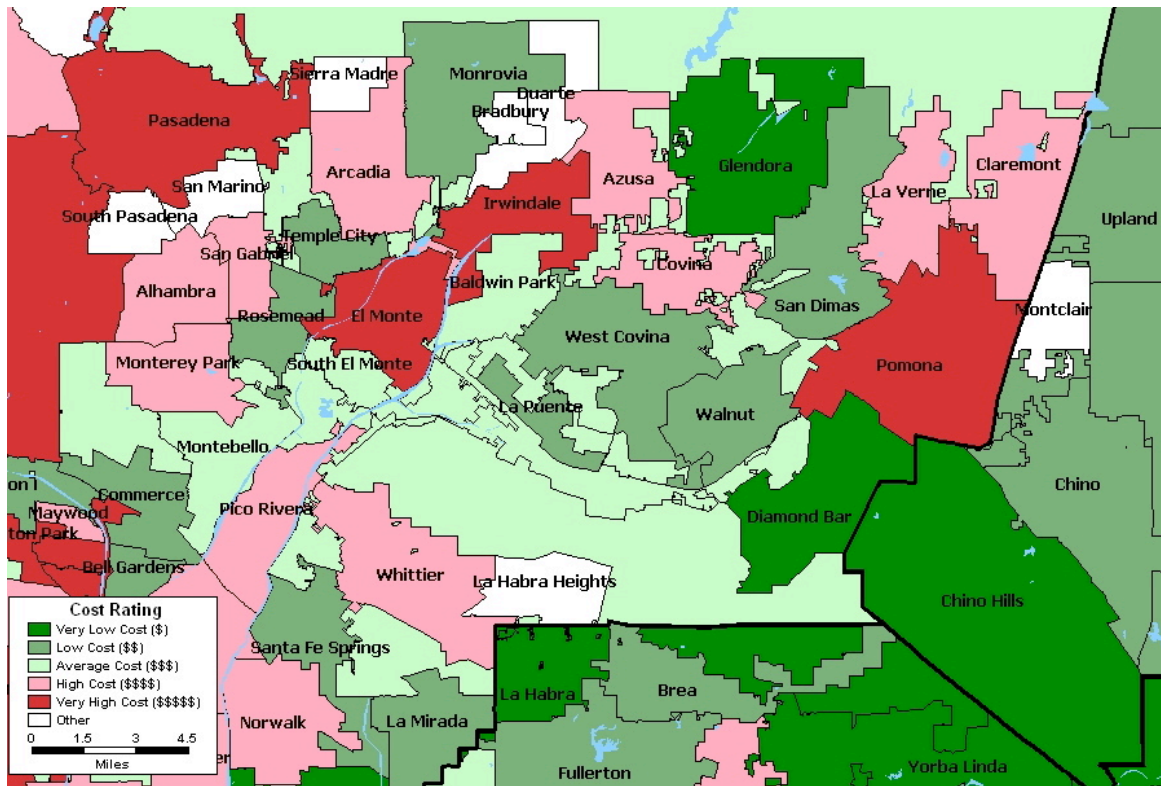
Cities acutely feel the loss of revenues; they take home a fraction of California taxes and the rest floats up to the State. In the last 12 months, the literal halving of both home sales and home prices have cut into property tax assessments. One of the few remaining means by which local government can invest in economic development is through the tax increment from redevelopment agencies, which exist in over 350 cities throughout California. This money is essential because it keeps cities reinvesting in their own communities.

Now that the State is financially crippled, local redevelopment funds are vulnerable. Despite an

April 30 ruling against the State by the Sacramento Superior Court, California is appealing in a bold attempt to seize redevelopment agency funds from local governments to the tune of \$1.05 billion over the next 3 years. The reason behind the capture is less than reassuring for anyone involved – to make interest payments on State debt. The money would be directed to the State’s General Fund, leaving cities with nothing to fill the gap in their budgets. “Not only are the cities robbed of one of their few tools for economic development, but this otherwise self-sustaining revenue stream is just going to be used for fiscal triage – the cities starve so the state can eat just a little more,” said Kosmont.

The feeding frenzy doesn’t stop at redevelopment funds. Local governments normally use a share of the State’s fuel tax revenue to fund street maintenance. Some cities borrowed against this gas tax revenue stream to finance large scale projects with the expectation that the revenue was secure. On June 11, the State’s Joint Budget Conference Committee approved the seizure of almost \$1 billion in city and county “gas tax” accounts for this coming fiscal year and \$750 million for the fiscal year thereafter. As in the case of the redevelopment funds, the State plans to take these local monies to pay interest on its own debt.

Map of Eastern Los Angeles County



Even more damaging for budgets is the loss of sales tax. A dramatic reduction in consumer spending in the past year and demographic shifts have curtailed sales tax revenue, an important part of the total revenue used for cities' budgets. As the population ages, the average consumer is spending less on taxable durable goods and relatively more on health care and services that are not taxable in California. Kosmont observes that "unfortunately, you can't develop your way out of the sales tax problem in a recession. Cities have to become less dependent on sales tax in the first place – but that buck starts and stops with the state's unbalanced taxation system." One possible and somewhat worrying solution to this decrease in sales tax revenue - expanding the sales tax to cover services - is gaining ground at the state level. While it would undoubtedly boost revenues and perhaps even provide some fiscal stability, Kosmont notes, "Taking more of what you're addicted to isn't always sage advice. Broadening sales tax is just trading one problem for another that will probably continue to erode California's competitiveness."

Perhaps most troubling for many small and mid-sized California cities is the loss of local car dealerships that provided jobs and a substantial portion of their sales tax revenue. As new car sales slowed due to the recent financial crisis, many struggling dealerships have begun to close throughout the state. New car sales have dropped by more than

forty percent since the beginning of 2008, while nearly 200 dealerships have closed because of the potential bankruptcies of both General Motors and Chrysler.

Some local governments in California are trying to help ailing car dealerships by offering direct financial support of dealership advertising and promotions, in the hope that the dealerships will one day generate revenues that benefit the cities. However, the success of local government support for car dealerships is uncertain; as city budgets grow tighter and consumer spending continues to decrease, the returns may not be worth the money spent to keep the remaining dealerships afloat.

Fortunately, cities are not entirely at the mercy of the State. New taxes gained ground in local elections over the past year. When faced with the prospect of losing vital services, many voters stepped forward and voted "Yes" on multiple local initiatives. The November 2008 election alone gave birth to 14 of 19 new sales taxes, 8 of 12 new hotel taxes, and 14 of 14 measures to expand utility taxes. However, as Kosmont notes, "these increases help cities stay afloat in the short-term but may just be band-aids on a deeper wound. The voters have spoken and the revenue will flow in a little more as a result, but it doesn't make these cities any more likely to attract job-rich businesses." Hotel taxes are a relatively easy sell as they draw more money from outsiders, but with

“Broadening sales tax is just trading one problem for another that will probably continue to erode California’s competitiveness.”

- Larry Kosmont



reductions in both corporate travel and tourism, local governments in tourism centers should be reluctant to choke that golden goose.

Hope for California?

Even though California will remain in a precarious financial situation for the near future, there is some economic hope for the state.

While the recession has had drastic social and economic consequences for California residents, the financial crisis provides a golden opportunity to radically rethink the state’s spending priorities and finances. Early budget balancing proposals from Governor Schwarzenegger and Democratic leaders in the legislature have suggested large spending cuts in K-12 and college education, Medi-Cal health care, welfare services, California state parks, and prisons.

Whether the budget cuts will pass or will be sufficient to close the state’s deficit while providing adequate payment on the state’s bond debts is the central question for the next fiscal year. The flip side of scaling back state expenditures is the possibility that legislators may raise taxes and fees on businesses or put an end to corporate tax breaks. This enables state lawmakers to avoid the highly unpopular prospect of directly raising taxes on residents, but will likely cause businesses to either pass the tax to consumers or seriously consider relocating to other, more business friendly states. If lawmakers can restructure state spending while making substantial efforts to make California more business friendly, local economic recovery may accelerate and keep the state competitive.

Similarly, local governments have been scaling back services while rethinking ways to boost revenues and save money. Many cities have taken a serious look

at contracting fire and emergency services, and in some cases police forces, in order to avoid costly pension plans with employee unions. Local governments are placing a heavy emphasis on economic development and are catering to diverse, growth industries in order to provide a strong business community and a steady stream of tax revenue for essential city services.

Additionally, the federal stimulus bills will bring in some money to support city costs. Approximately \$11 billion is earmarked for economic development, about \$46 billion for transit projects, and over \$15 billion for energy efficient projects. Federal stimulus money is on the way, but it will probably not be enough and it won’t arrive in time to spur a full economic turnaround. However, it may mitigate some of the recession’s effects with industry-specific gains in transit construction, affordable housing development, and investment in clean energy. But how much of a broad impact on the economy will there be from such a massive investment in infrastructure? According to Kosmont, “Cities need to dress the part in order to successfully compete for funds. Projects have to be shovel-ready and induce jobs and growth. If a city can get Obama’s bucks for a mass-transit station, an affordable housing complex, or an energy program, there will be local economic benefits. However for a local city to return to financial health, the broader economy needs to re-engage, which means consumer confidence and a healthy housing market must reappear.”

The immense weight of city taxes, fees, and other business costs as highlighted in the *Kosmont Survey* are leading city council members, city managers, and business owners to rethink their relationships and the impact government and business have on each other.

Using *Survey* information, state and local governments can help stimulate growth and economic development by implementing programs that encourage businesses instead of pushing them elsewhere. As the data in the *Survey* suggests, the fight is and will remain tough for cities, but Kosmont remains optimistic. “Push has truly come to shove in California and in many other states as well, but perhaps this recession and our collective reaction to it will compel us all to better manage our checkbooks.”

Findings for the Golden State

Los Angeles County

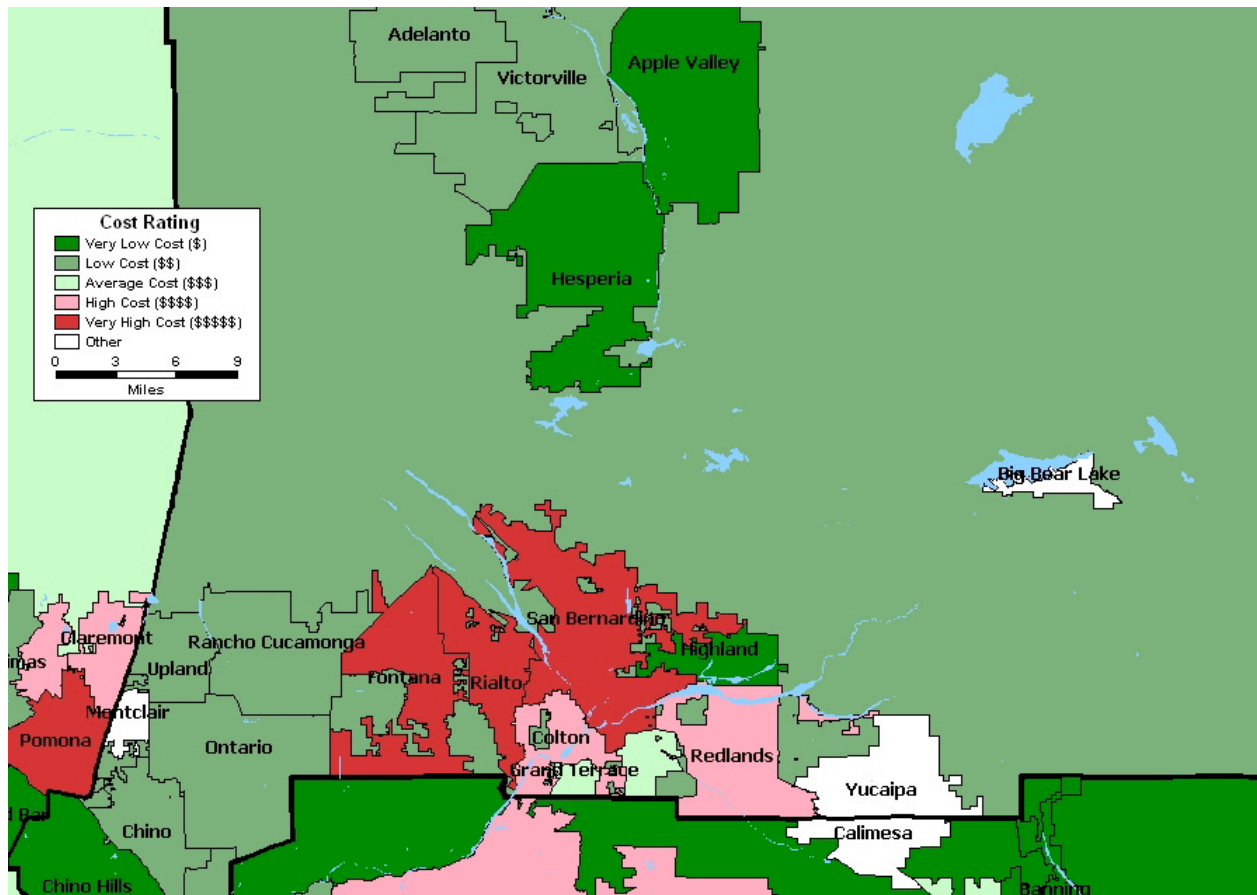
Los Angeles continues to be one of the *Survey*'s most expensive counties. Of the seventy-one Los Angeles County cities surveyed, seventeen are rated Very High Cost (\$\$\$\$\$), twenty-three are rated High Cost (\$\$\$\$), ten are rated Average Cost (\$\$\$), fifteen are rated Low Cost (\$\$), and six are rated Very Low Cost (\$). Los Angeles County has a higher percentage of high cost cities than other California counties, with over half its cities either Very High Cost or High Cost. Of the fifty most expensive cities featured in the *Survey*, eleven of the nineteen California cities are in Los Angeles County. Additionally, four cities in Los Angeles County

(Culver City, El Segundo, Los Angeles, and Santa Monica) are among the twenty most expensive cities featured in the *Survey*, with San Francisco as the only other city in California on that list.

Cities in Los Angeles County continue to have some of the highest sales tax rates in the country. Two cities (Pico Rivera and South Gate) are tied with Chicago for the highest sales tax rate among *Kosmont*-featured cities, at a rate of 10.25 percent. All other Los Angeles County cities currently have a sales tax of 9.25 percent, except for unincorporated Los Angeles County. However, Los Angeles County voters approved Measure R in November of 2008, which will increase the sales tax by 0.5 percent to finance traffic infrastructure and repair. This change will go into effect July 1, 2009. With the change, Pico Rivera and South Gate will have the highest sales tax rate out of all of the cities featured in the *Kosmont Survey* at a rate of 10.75 percent (However, it should be noted that South Gate has no utility tax). With these changes, incorporated Los Angeles cities will have sales tax rates equal to or greater than those in Alameda County.

None of the Los Angeles County cities with Low or Very Low Cost Ratings have utility taxes, while more expensive cities are more likely to have

Map of San Bernadino County



high utility taxes. Low and Very Low Cost cities also tend to have low business fees. The city of Los Angeles has some of the highest business fees in the country, and many surrounding cities may have lower business fees to attract Los Angeles-based businesses.

Seven Los Angeles County cities have no business license fees at all: Lynwood (Very High Cost), Glendale (High Cost), Calabasas and Industry (Average Cost), Santa Clarita (Low Cost), and Diamond Bar and Westlake (Very Low Cost). The City of Industry, which has the second smallest population in the county and no business license fees, maintains its Average Cost rating because it has the highest property taxes in the county. The city of Gardena, which has the lowest property taxes in the county, has fairly high business license fees and a moderate population, and dropped from a Very High Cost rating in the 2008 *Kosmont Survey* to a High Cost rating this year. The city of Los Angeles has moderate property taxes compared to the rest of the county, but as the largest city geographically, it is by far the most populated city in the county and has the highest business license fees, resulting in its rating as Very High Cost.

Findings for the Golden State

San Bernardino County

Most of the nineteen cities in San Bernardino County are rated from Average to Very Low Cost, with only three cities ranked as Very High Cost (\$\$ \$\$\$) and two cities ranked as High Cost (\$\$\$\$). Additionally, two cities are ranked Average Cost (\$\$\$), eight cities are ranked Low Cost (\$\$), and four cities are ranked Very Low Cost (\$).

San Bernardino has the highest population (nearly 200,000 people), the highest business license fees, and the second highest property taxes in the county, all of which contribute to its Very High Cost rating. The second and third most populated cities, Ontario and Rancho Cucamonga, are Low Cost cities with moderate rankings for business license fees and lower rankings for



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	11	\$\$\$\$
RIALTO	5	4	2	\$\$\$\$
SAN BERNARDINO	1	1	2	\$\$\$\$
COLTON	13	5	5	\$\$\$\$
REDLANDS	11	2	5	\$\$\$\$
GRAND TERRACE	18	7	10	\$\$\$
LOMA LINDA	17	12	5	\$\$\$
UNINC. SAN BERN. CO.	19	19	1	\$\$
ADELANTO	15	17	4	\$\$
BARSTOW	16	13	5	\$\$
CHINO	8	9	16	\$\$
ONTARIO	2	6	14	\$\$
RANCHO CUCAMONGA	3	8	13	\$\$
UPLAND	10	10	12	\$\$
VICTORVILLE	6	11	5	\$\$
APPLE VALLEY	12	15	17	\$
CHINO HILLS	9	18	14	\$
HESPERIA	7	16	17	\$
HIGHLAND	14	14	17	\$

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

Map of Riverside County

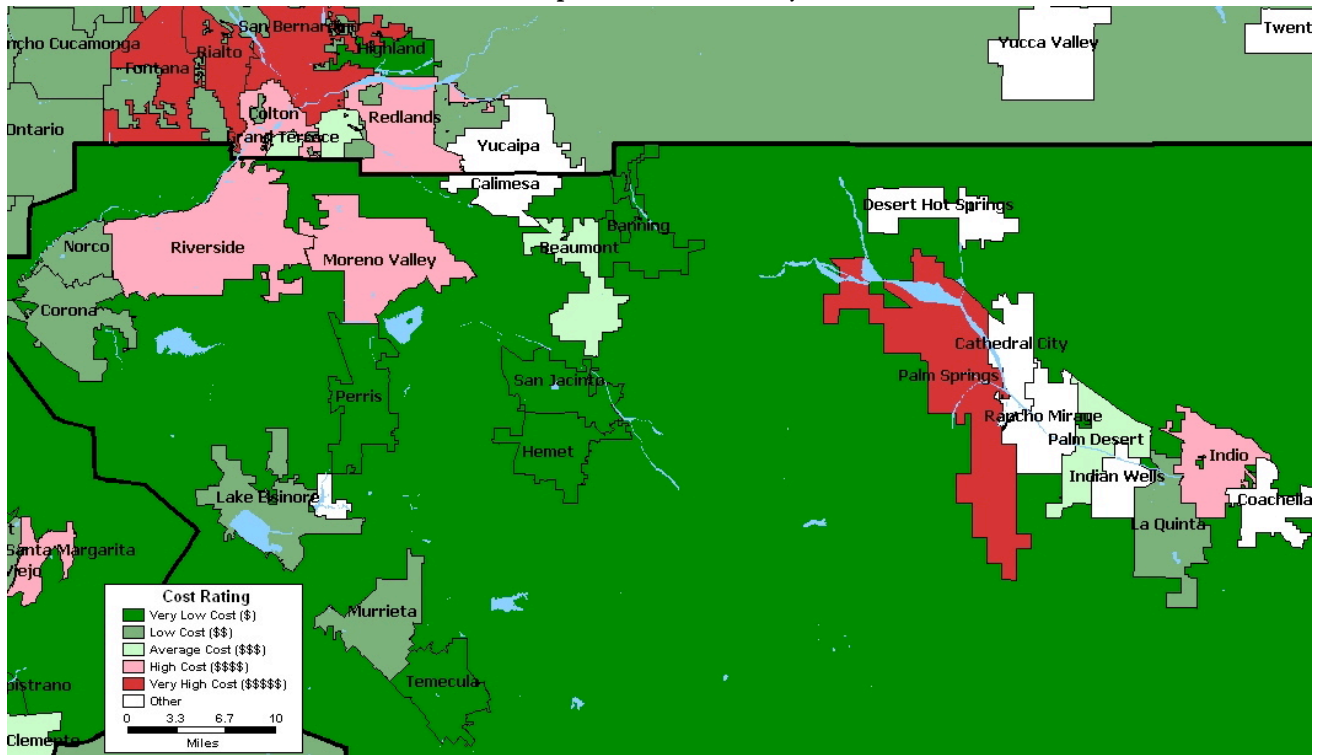


Table 6: The Cities of Riverside County, CA

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

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

property taxes. Unincorporated San Bernardino County has no business license fees with a minimal population, yet it maintains the highest property tax ranking in the county, resulting in its rating in the Low Cost bracket instead of the Very Low Cost bracket.

**Findings for the Golden State
Riverside County**

Riverside County is primarily a low cost county with eleven of the seventeen cities surveyed rated as Low Cost (\$\$) or Very Low Cost (\$). Two cities were rated as Average Cost (\$\$\$), three were rated as High Cost (\$\$\$\$), while only one was rated as Very High Cost (\$\$\$\$\$).

Palm Springs, the only Very High Cost city, has significantly higher property taxes than the other cities in Riverside County, as well as a relatively high business license fees and a moderately sized population of 47,806 people. Riverside has by far the largest population in the county with nearly 300,000 people, and has the second highest business license fees, resulting in its rating as a High Cost

city. Moreno Valley, another High Cost city, has the highest business license fees and the second highest population. The third most populated city, Corona, is ranked third for business license fees, but is rated as a Low Cost city due to its very low property taxes. All of the Low or Very Low Cost cities have no utility taxes, and every city in the county, excluding unincorporated territory, has a sales tax of 8.75 percent.

Findings for the Golden State Orange County

Orange County is a low cost county for doing business with twenty-three of its twenty-eight cities rated as Average Cost (\$\$\$), Low Cost (\$\$), or Very Low Cost (\$). Specifically, six cities are Average Cost, six cities are Low Cost, and eleven cities are Very Low Cost. Seal Beach is the only Very High Cost (\$\$\$\$\$) city because of its high utility tax rates. Orange County also has four cities that are High Cost (\$\$\$\$), three of which (Placentia, Santa Ana, and Westminster) have high business license fees as well as high utility taxes. Rancho Santa Margarita, the fourth High Cost city, is ranked High Cost mainly because of its high property taxes, even though the city does not impose either a business license fee or utility taxes.

Of the twenty-three cities that have an Average Cost rating or lower, the majority have modest business license taxes or no business license taxes at all. None of the Low or Very Low Cost cities have any utility taxes. Population does not significantly affect the cost ratings of cities in Orange County, as seen by the difference between the two most populated cities, Santa Ana and Anaheim. Santa Ana, the county's most populated city has a High Cost

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

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

The sluggish economy and dramatic decreases in projected tax revenue have Californians facing a potentially catastrophic financial crisis.

rating, while Anaheim, the second most populated city, has a Low Cost rating. Additionally, three of the other more expensive cities, Seal Beach, Placentia, and Rancho Santa Margarita, all have small populations compared to the other Orange County cities featured in the *Survey*. However, geographic location appears to somewhat affect the cost ratings. With the exception of San Clemente and Rancho Santa Margarita, the cities in northwest Orange County, nearest to Los Angeles County, are more expensive than the cities in other parts of Orange County.

Findings for the Golden State San Diego County

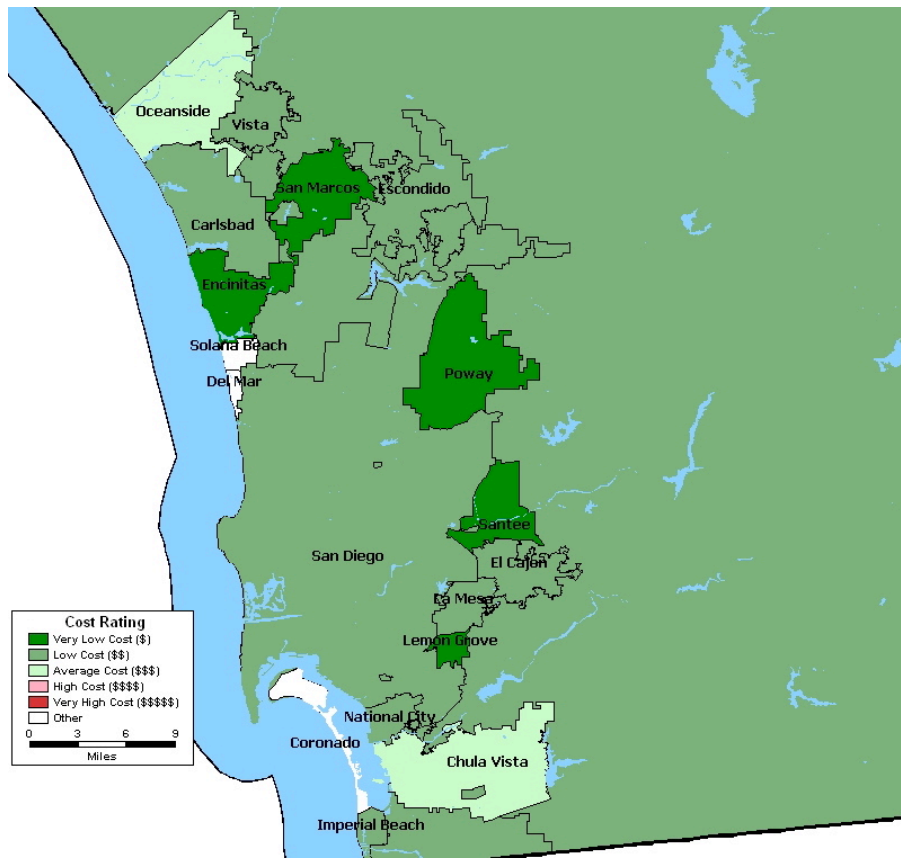
San Diego County is a low cost county with five of the sixteen cities rated Very Low Cost (\$), nine Low Cost (\$\$), two Average Cost (\$\$\$), and no High Cost (\$\$\$\$) or Very High Cost (\$\$\$\$\$) cities. Imperial Beach is a newly featured city in the *Kosmont Survey*, increasing the number of rated cities in San Diego County from fifteen to sixteen.

Chula Vista and Oceanside are both Average Cost because of their large populations and business license fees. However, property taxes in both cities are lower than those in San Diego. Despite the city of San Diego’s significantly larger population and high property tax ranking, it is rated as a Low Cost city because of its lack of utility taxes and moderate business license fees. Except for Chula Vista, which charges a tax of 5 percent on telephone usage, no cities in San Diego County have any utility taxes. This factor significantly contributes to the

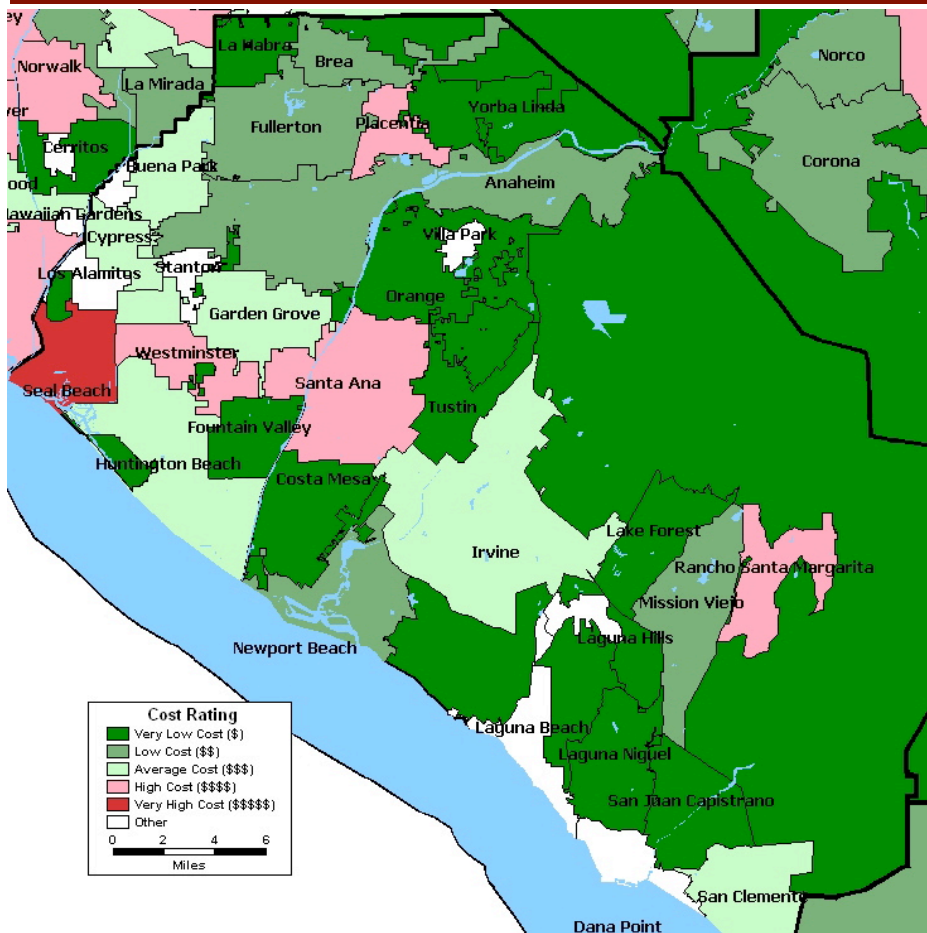
Table 8: The Cities of San Diego County, CA

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

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



Map of San Diego County



Map of Orange County

low cost ratings of all San Diego County cities. Four cities have fairly high sales taxes: El Cajon and National City charge 9.75 percent, La Mesa charges 9.5 percent, and Vista charges 9.25 percent.

Findings for the Golden State Ventura County

Ventura County is generally an Average to Low Cost county, with no cities rated as Very High Cost (\$\$\$\$\$) and Port Hueneme as the only High Cost (\$\$\$\$) city. Of the remaining cities in Ventura County, four are Average Cost (\$\$\$) cities, two are Low Cost (\$\$) cities, and two are Very Low Cost (\$) cities.

Oxnard has the largest population with nearly 200,000 people living in the city, and the third highest ranking for both business license fees and property taxes. Despite these high rankings, Oxnard maintains an Average Cost rating because it does not impose any taxes on utilities. The only two cities in Ventura County that impose utility taxes are the city of Ventura at 5 percent and Port Hueneme at 4 percent. Port Hueneme also has a higher sales tax rate of 8.75 percent, contributing to its rating as the only High Cost city in Ventura County. Oxnard also has a sales tax of 8.75 percent, while all of the other cities in the county have sales tax rates of 8.25 percent. Fillmore and Moorpark, the two least expensive cities in the county, have low business license fees and no utility taxes. Fillmore also has moderate property taxes and the second lowest population in the county, while Moorpark has a moderate population and the lowest property taxes in the 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	3	\$\$\$
VENTURA (SAN BUENAVENTURA)	4	7	1	\$\$\$
CAMARILLO	5	5	7	\$\$
THOUSAND OAKS	2	6	2	\$\$
FILLMORE	8	8	5	\$
MOORPARK	6	9	9	\$

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

As fewer people work and the tax revenue they provide decreases, the state must respond to shrinking coffers and dramatically reevaluate state services



“Tax increases [could] help cities stay afloat in the short-term but [they] may be just band-aids on a deeper wound. . . .

It doesn’t make these cities any more likely to attract job-rich businesses.”

-Larry Kosmont

Findings for the Golden State

Alameda and Contra Costa Counties

Alameda County is a fairly expensive county for doing business with six Very High Cost (\$\$\$\$\$) cities, four Average Cost (\$\$\$) cities, and two Low Cost (\$\$) cities. Livermore and San Leandro have moved from High Cost cities in the 2008 *Survey* to Very High Cost cities in this year’s *Survey*. All six Very High Cost cities have utility taxes, unlike the Average Cost and Low Cost cities. Livermore increased utility taxes from zero to 3 percent, contributing to the increase in its cost rating from High Cost to Very High Cost. With the California statewide sales tax increase, the sales tax in all twelve featured cities has increased to 9.75 percent, making it one of the highest rates in the country. Only four other featured *Kosmont* cities (Chicago, Pico Rivera, South Gate, and Montgomery) have higher sales taxes. Once the Los Angeles County Measure R sales tax increase comes into effect on July 1, 2009, the tax rates in Alameda County will be the same as the base rate in Los Angeles County.

Contra Costa County has an even distribution of cost ratings, with two Very High Cost cities (\$\$\$ \$), two High Cost (\$\$\$\$) cities, three Average Cost (\$\$\$) cities, four Low Cost (\$\$) cities, and one Very Low Cost (\$) city. Richmond and San Pablo, the two Very High Cost cities, both have high utility taxes of at least 8 percent on electricity, gas, and telephones, while none of the Very Low Cost or Low Cost cities levy utility taxes. As in Alameda County, the California state sales tax increase was an important factor in making Contra Costa County a more expensive county than it was last year. The sales tax rate is 9.25 percent in every

Table 10: The Cities of Alameda County, CA

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

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

Table 11: The Cities of Contra Costa County, CA

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

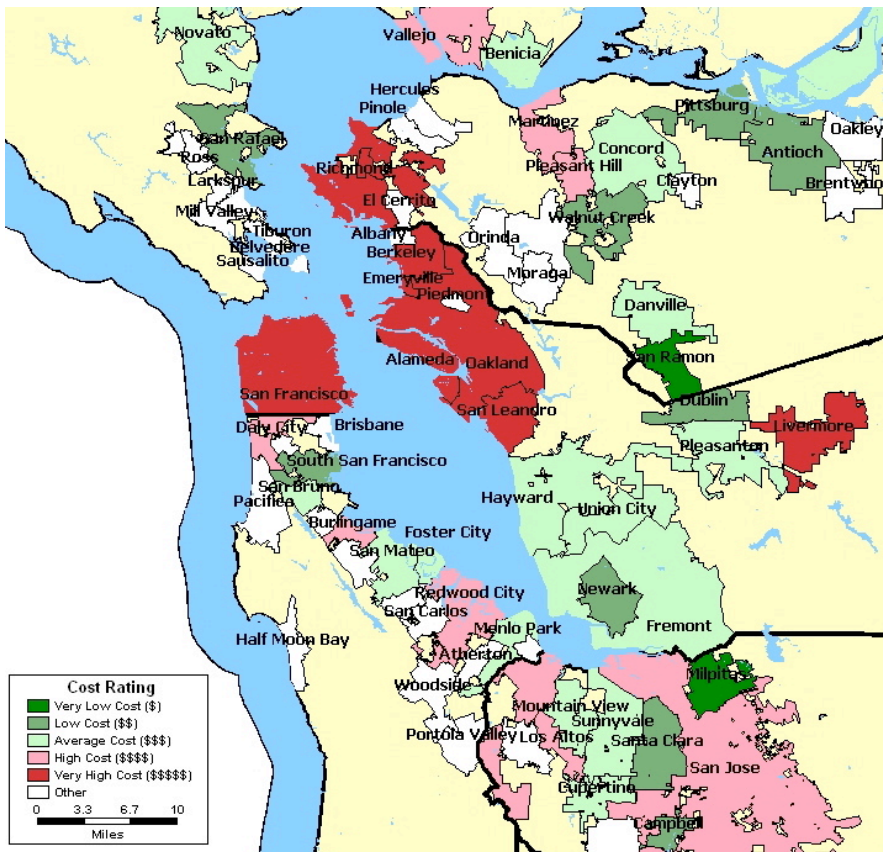
Note: City rankings are as compared with the other cities in the County.

featured city in the county except for Richmond, which has a sales tax of 9.75 percent, one of the highest in the country.

Findings for the Golden State San Mateo and Santa Clara Counties

In San Mateo County, most of the cities are High Cost (\$\$\$\$) or Average Cost (\$\$\$). South San Francisco is the only Low Cost (\$\$) city; it has a moderately sized population and lower business license fees and property taxes, resulting in its lower cost rating. Burlingame, which has both the lowest population and the lowest business license fee rankings in the county, is a High Cost city, primarily due to its high property taxes. Compared to other cities in the Bay Area also ranked as High Cost, like San Jose, Oakland, Berkeley, and Richmond, it is unique for Burlingame to have no utility taxes and very low business license taxes, yet maintain such a high cost rating, suggesting the significance of its very high property taxes.

In Santa Clara County, five cities are High Cost (\$\$\$\$), three are Average Cost (\$\$\$), three are Low Cost (\$\$), and one Very Low Cost (\$). The 2009 Survey now features another city from Santa Clara County, Los Altos, which is rated as a High Cost city. San Jose, the largest city in Santa Clara County, has a lower property tax ranking than most of the other cities. However, the difference between property indexes in Santa Clara County is fairly small. Since San Jose has the largest population in Santa Clara County and high business license fees, it has earned a High Cost rating. Milpitas, the only Very Low Cost city, has a moderately sized population, but it also has low business license fees and very low property taxes, resulting in its low cost rating.



Map of the Bay Area

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.

**Table 13: The Cities of Santa Clara County, CA**

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

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

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