

Cost of Doing Business Survey®

Executive Summary

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ROSE INSTITUTE
OF STATE AND LOCAL GOVERNMENT
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The 2016-2017 Kosmont-Rose Institute Cost of Doing Business Survey is the 22nd edition of the annual survey and continues to offer comprehensive profiles and insightful analysis delivered by the decade-long partnership between Kosmont Companies and the Rose Institute of State and Local Government. The Survey gives an overview of the taxes, fees, and other costs associated with running a business in over 300 cities in the Western United States. City governments find this information essential to understanding where their municipality stands in relation to the surrounding area. Businesses and their realtors see the Survey as a one-stop shop for understanding the business climate in the featured cities and regional economic trends.

The cost ratings found in the 2016-2017 Cost of Doing Business Survey are the result of a yearlong data collection process. The Rose Institute collects data on license fees, tax codes, and other quantitative measures and incorporates all the figures into a proprietary formula which ranks the 307 cities in the Survey from most to least expensive. The cities are also assigned a cost rating based on the quintile in which they fall: Very Low Cost (\$), Low Cost (\$\$), Average Cost (\$\$\$), High Cost (\$\$\$\$), and Very High Cost (\$\$\$\$\$). For more information on the Survey's methodology, cost ratings, or city profiles, please consult the User Guide or contact the Rose Institute at (909) 621-8159.

The 2016-2017 Survey keeps the 305 cities featured in the 2015-2016 Survey but welcomes the addition of two new cities, Brentwood, CA and Menifee, CA. The 307 cities are located in nine states in the Western United States: California, Oregon, Washington, Nevada, Texas, Arizona, Colorado, Utah, and New Mexico. Similar to previous years, the Survey focuses its research and analysis on California cities. We hope you find the 2016-2017 Survey useful as you compare the cost of doing business in municipalities all around the Western United States.

2016-2017 Most Expensive Cities

The 2016-2017 edition of the *Kosmont-Rose Survey* takes a close look at the cost of doing business in California and eight other western states (Arizona, Colorado, Nevada, New Mexico, Oregon, Texas, Utah, and Washington) that many companies may view as alternatives to California. Of the municipalities evaluated, the twenty most expensive cities are located in five different states. California dominates the list with eleven cities; eight are in Southern California and three are in the Bay Area. Arizona and Washington have three cities on the list; Colorado has two and Oregon has one.

The twenty most expensive cities in the West include several of the largest cities in the region. Seven of the ten largest western metropolitan areas are represented on the list: Los Angeles, San Francisco, Riverside-San Bernardino, Phoenix, Seattle, Denver, and Portland. Many of the most expensive cities are important regional hubs; Denver, Los Angeles, Phoenix, Portland, and Seattle are the largest cities in their respective states. In spite of high taxes and fees, these cities are often attractive to businesses because they provide access to financial markets, concentrated manufacturing and distribution, and regional and international trade. Many businesses are willing to pay a premium in business, property, and utility taxes in order to benefit from the abundance of opportunities available in such cities.

The *Survey's* findings indicate that the Bay Area and Los Angeles are the two most expensive metropolitan areas in the western United States, followed

Table 1: The Twenty Most Expensive Cities

City Name	State	Sales Tax Rate	Retail Business License Fee	Property Tax Rate
BELL	CA	9.00%	\$4,386.00	1.548%
BELLINGHAM	WA	8.70%	\$17,000.00	1.147%
BERKELEY	CA	9.50%	\$12,000.00	1.245%
BEVERLY HILLS	CA	8.75%	\$9,400.00	1.226%
CHANDLER	AZ	7.80%	\$50.00	3.155%
CULVER CITY	CA	9.50%	\$10,060.00	1.079%
DENVER	CO	7.62%	\$4,800.00	3.692%
EL SEGUNDO	CA	8.75%	\$13,048.00	1.170%
INGLEWOOD	CA	9.50%	\$11,022.00	1.412%
LONGMONT	CO	3.27%	\$25.00	9.108%
LOS ANGELES	CA	9.00%	\$13,200.00	1.224%
OAKLAND	CA	9.00%	\$12,000.00	1.406%
PHOENIX	AZ	8.30%	\$0.00	4.577%
PORTLAND	OR	0.00%	\$36,500.00	2.294%
SAN BERNARDINO	CA	8.25%	\$7,548.75	1.308%
SAN FRANCISCO	CA	8.75%	\$13,500.00	1.167%
SANTA MONICA	CA	9.50%	\$12,500.00	1.136%
SEATTLE	WA	9.50%	\$21,590.00	1.291%
TACOMA	WA	9.50%	\$15,390.00	1.717%
TUCSON	AZ	8.10%	\$25.00	4.005%

Table 1 lists the twenty most expensive western cities in alphabetical order along with each city's sales tax rate, retail business license fee, and property tax rate.

by Portland. The three most expensive cities located in the Bay Area are San Francisco, Berkeley, and Oakland. All three cities have high utility rates of 7.50%. Of the three cities, San Francisco has the highest business license fees. For example, the business license fee for a medium-sized retail business (typically a store of roughly 5,000 to 15,000 square feet with approximately 25 to 75 full time equivalent employees) in San Francisco is \$13,500 a year. Both Berkeley and Oakland also have very high business license fees of \$12,000; Phoenix has the lowest business license fee on the list of twenty most expensive cities at \$0. Seven out of the twenty

most expensive cities are in Los Angeles County: Los Angeles, Santa Monica, Culver City, Inglewood, Beverly Hills, Bell, and El Segundo. In these cities, a medium-sized retail business would pay between \$4,386 and \$13,200 a year in business license fees. Of the 20 most expensive cities, Portland has the highest business license fee of \$36,500 and a utility tax rate of 5% for all services excluding cellular. The concentration of expensive cities in major metropolitan areas limits options for businesses that desire less expensive business environments while retaining access to key markets, trading ports, and other resources.

Arizona has three of the most expensive western cities on the list: Tucson, Chandler, and Phoenix. These cities have high property tax rates between 3.16% and 4.58%, among the highest rates found in the *Survey*. These three cities also have high electricity tax rates that range from 2.7% to 9.5%. Washington also contains three cities on the list: Seattle, Tacoma, and Bellingham. All three cities have a utility user tax rate of 6% and charge business license fees ranging from \$15,390 to \$21,590 for a medium-sized retail business.

High property tax rates continue to be a driver of the high costs of doing business. Six of the 20 most expensive cities have property tax rates above 2.20%,

nearly double the *Survey's* median property tax rate of 1.17%. Longmont, Colorado, has the highest property tax rate in the *Survey* at 9.11%, followed by Phoenix (4.58%), Tucson (4.01%), and Chandler, Arizona (3.16%). California's Proposition 13 greatly limits property tax rates; the twelve California cities on the list have property tax rates ranging from 1.08% to 1.55%. Santa Monica and Culver City have the lowest property tax rates on the list at 1.14% and 1.08%, respectively. Overall, California's median property tax rate of 1.17% is less than one-half of the median property tax rate in Arizona (2.52%).

Many, but not all, of the most expensive western cities also have high

business license taxes. These taxes vary significantly. A medium-sized retail business would pay \$13,500 per year in San Francisco, \$36,500 per year in Portland, and \$21,590 per year in Seattle. In sixteen of the twenty most expensive cities, a medium sized retail business would pay over \$4,386 a year. Moreover, in twelve of the twenty most expensive cities surveyed, a medium sized retail business would pay over \$10,000 a year. Those figures are significantly higher than the median business license fee of all cities surveyed (\$1,025). All three of the cities in Arizona stand-out due to their low business license fees. A medium-sized retail business would pay \$50 a year in Chandler, \$25 in Tucson, and nothing in Phoenix. However, these cities have higher than average property, utility, and sales tax rates that still make them three of the twenty most expensive cities in the western United States.

Table 2: The Twenty Least Expensive Cities

City Name	State	Sales Tax Rate	Retail Business License Fee	Property Tax Rate
ABILENE	TX	8.25%	\$0.00	2.322%
CORPUS CHRISTI	TX	8.25%	\$0.00	2.775%
DALLAS	TX	8.25%	\$0.00	2.711%
EUGENE	OR	0.00%	\$0.00	1.436%
EVERETT	WA	9.00%	\$1,000.00	1.191%
FEDERAL WAY	WA	9.50%	\$50.00	1.614%
FORT WORTH	TX	8.25%	\$0.00	2.838%
GRESHAM	OR	0.00%	\$469.00	1.617%
HENDERSON	NV	8.10%	\$5,600.00	1.014%
HOUSTON	TX	8.25%	\$0.00	2.679%
KENT	WA	9.50%	\$717.50	1.545%
LAS VEGAS	NV	8.10%	\$5,600.00	1.147%
MOORPARK	CA	7.25%	\$36.00	1.075%
OGDEN	UT	6.85%	\$987.41	1.004%
PLANO	TX	8.25%	\$0.00	2.188%
RENO	NV	7.72%	\$7,545.00	1.280%
SAN ANTONIO	TX	8.25%	\$0.00	0.558%
SPARKS	NV	7.72%	\$10,070.00	1.266%
SPOKANE	WA	8.70%	\$2,060.00	1.419%
YAKIMA	WA	8.20%	\$1,285.20	1.290%

Table 2 lists the twenty least expensive western cities in alphabetical order along with each city's sales tax rate, retail business license fee, and property tax rate.

2016-2017 Least Expensive Cities

This year's list of twenty least expensive cities in the western United States includes seven cities in Texas, five cities in Washington, four cities in Nevada, one city in southern California, one city in Utah, and two cities in Oregon. The list also includes cities from several of the largest western metropolitan areas including Dallas-Fort Worth, Houston, San Antonio, and Las Vegas.

Business license fees are an important factor in determining cost ratings, and many of the least expensive western cities have very low business taxes. Eight out of the twenty cities on the list do not have a business license tax, while two others have a very low annual flat rate fee between \$36 and \$50. A medium-sized business would pay less than \$500 a year in 11 of the

20 cities, well below the *Survey* median of \$1,000. The four cities in Nevada (Henderson, Las Vegas, Reno, and Sparks), however, all have significantly higher business license taxes; a medium-sized retail business would pay over \$5,600 a year in all four cities. These four cities remain Very Low Cost because they are located in a state without corporate income tax. Additionally, all four cities in Nevada have relatively low property tax rates between 1.01% and 1.28%.

Many of the least expensive western cities have low utility user taxes. Seven of the twenty least expensive cities do not have any electricity tax, and nine do not have any telephone tax. The remaining cities have electricity tax rates varying from 0.26% to 7.75%, and telephone tax rates varying from 1% to 6%, with the exception of Plano and Federal Way. Plano stands out as having the highest utility taxes with a 9.05% tax on telephone service and an 8.3% tax on gas. Despite high utility taxes, Plano remains a Very Low Cost city due to the absence of a business license tax and state corporate income tax. Similarly, Federal Way has a

relatively high utility tax of 7.75%, but overall it is a Very Low Cost city.

State taxes, over which a city has no control, greatly influence the cost of doing business. Sixteen of the twenty least expensive western cities surveyed are located in Nevada, Texas, or Washington (all states without corporate income tax). Two other cities, Eugene and Gresham, are located in Oregon, which has no sales tax. Businesses should note, however, that while Texas and Washington do not have a state income tax, they each have gross receipts-based taxes that were not included in the *Survey*'s calculations. Under Texas's Franchise Tax, a medium-sized retail business would pay about \$5,000 a year; under Washington's Business and Occupation (B&O) tax, that same business would pay about \$48,400 a year (0.47% of gross receipts).

Texas continues to stand out as a low cost state, boasting seven of the 20 least expensive cities surveyed in the western United States. Texas does not have a corporate income tax, and many of the cities surveyed in Texas do not have business license fees. Five of the

seven least expensive cities in Texas do not have any utility tax on telephone service, and five do not tax cable or water. However, six of the seven cities have relatively high property tax rates (between 2.19% and 2.84%), among the highest in the *Survey*. These findings remind businesses that a city can remain low cost despite having higher tax rates in certain areas.

Although California has a number of low cost cities, only one is on the twenty least expensive western cities list (City of Moorpark), which is located in a relatively low-cost area of Southern California. The city is not located in Los Angeles County or the Bay Area, the two most expensive regions in California. To make up for California's high corporate income tax, the city has reduced business license, utility, and property taxes. Moorpark's retail business license fee is low at \$36 a year; the city does not have taxes on utilities. The property tax rate is 1.08% in Moorpark, significantly less than the *Survey* median of 1.16% and the California median of 1.14%. The city has a sales tax rate of 7.25% which is also below the *Survey* median of 8.25%.



Photo by Vadim Kurland

County Summaries

The County Summaries serve as a brief comparative analysis of counties such as Alameda & Contra Costa, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo & Santa Clara, and Ventura. Each summary covers one or two counties and includes a table breakdown of surveyed cities by cost as well as other factors contributing to those ratings such as property and business taxes. While some counties such as Alameda have higher costs across all categories, each county contains cities with significant variation in taxes and cost rating.



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Alameda and Contra Costa Counties

Alameda remains one of the highest cost counties in California and the most expensive county in the Bay Area. Of the cities surveyed, Alameda County has seven Very High Cost (\$\$\$\$) cities, four Average Cost (\$\$\$) cities, one Low Cost (\$\$) city, and zero Very Low Cost (\$) cities. Most of these Very High Cost cities are concentrated along the water, closest to San Francisco. 9 of the 12 Alameda County cities featured

in the *Survey* have property tax rates above the Bay Area median of 1.14%, and all cities surveyed have a sales tax rate at least 0.5% above the state median of 8.25%. Alameda, Berkeley, and Oakland also have some of the highest utility user taxes in the state (7.5% tax on all utilities excluding water).

High business license fees greatly contribute to Alameda County's high

cost ratings. Eleven of the 12 cities surveyed have business license fees that are well above the state median of \$1,120. Berkeley and Oakland, in which a medium-sized retail business would pay \$12,000 a year, have some of the highest retail business license fees in the state. In contrast, City of Dublin is the least expensive city in Alameda County and the only city surveyed with a business license tax below the state median.

Table 3: The Cities of Alameda County

While every other city calculates retail business license fees based on gross receipts or number of employees, Dublin charges a low fee of \$50.

Neighboring Contra Costa County has a more even distribution of cost ratings among the cities surveyed. Of the 11 cities featured in the *Survey*, two are Very High Cost (\$\$\$\$\$) cities, two are High Cost (\$\$\$\$) cities, two are Average Cost (\$\$\$) cities, four are Low Cost (\$\$) cities, and one is a Very Low Cost (\$) city. Two of Contra County's four most expensive cities, Richmond and San Pablo, are located closest to San Francisco and other Very High Cost cities in Alameda County. Most of the lower cost cities surveyed are further from San Francisco. Richmond and San Pablo, similar to Alameda, Berkeley, Oakland, and San Francisco, have high utility user tax rates above 7% that contribute to their high cost ratings. Richmond and San Pablo also have some of the highest property tax rates in the Bay Area at 1.40% and 1.31%, respectively.

Contra Costa County's five surveyed cities that are either Very Low Cost or Low Cost are San Ramon, Brentwood, Walnut Creek, Pittsburg, and Antioch. None of these cities have utility taxes, and they all have reduced fees relative to other cities in Contra Costa County. San Ramon, the only Very Low Cost city surveyed in Contra Costa County, has a \$350 business license fee across all business categories, which is significantly less than other cities in the county.

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

Table 4: The Cities of Contra Costa County

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

Tables 3 & 4 list the cost ratings, business license fee rankings, and property tax rankings for the cities surveyed in Alameda & Contra Costa County. Please note that the license fee and property tax rankings are in comparison to only the other cities in the county. Any cities with equal fees or tax rates receive the same ranking.

Los Angeles County

Los Angeles County, California's most populous county, remains a very high cost county. Of the 74 Los Angeles County cities surveyed, more than half received a High or Very High Cost rating. Los Angeles County has 23 Very High Cost (\$\$\$\$) cities, 21 High Cost (\$\$\$\$) cities, 13 Average Cost (\$\$\$) cities, 16 Low Cost (\$\$) cities, and only 1 Very Low Cost (\$) city. This means that fewer than 3% of cities surveyed in Los Angeles County are Very Low Cost, while nearly 30% are Very High Cost. From 2015 to 2016/17, there was no change in the position of LA County cities relative to all cities included in the *Survey*.

The *Survey* finds that Los Angeles County is one of the most expensive areas in California and in the western United States in which to do business. Ten of the twenty most expensive cities surveyed in California are in Los Angeles County; none of the cities surveyed in Los Angeles County made the list of 20 least expensive California cities. Additionally, seven of the twenty most expensive cities surveyed in the western United States are located in Los Angeles County: Bell, Beverly Hills, El Segundo, Culver City, Inglewood, Los Angeles, and Santa Monica. These cities tend to have high taxes across all categories, including business license fees, utility taxes, sales taxes, and property taxes. In Culver City, Inglewood, Los Angeles, and Santa Monica, a medium-sized retail business would pay over \$10,000 a year in business license fees, about nine times the state median of \$1,120. The seven cities listed above have some of the highest utility tax rates in the state. Electricity rates, for

Table 5: The Cities of Los Angeles County

City Name	Cost Rating	Business License Fee Rankings	Property Tax Rankings
WESTLAKE VILLAGE	\$	1	11
AGOURA HILLS	\$\$	3	19
BELL GARDENS	\$\$	6	41
DIAMOND BAR	\$\$	2	45
DUARTE	\$\$	8	28
GLENDORA	\$\$	27	26
LA MIRADA	\$\$	24	16
LA PUENTE	\$\$	14	30
LANCASTER	\$\$	5	40
PALMDALE	\$\$	16	8
ROSEMEAD	\$\$	4	53
SAN DIMAS	\$\$	28	39
SANTA CLARITA	\$\$	1	43
SIGNAL HILL	\$\$	9	20
TEMPLE CITY	\$\$	23	44
VERNON	\$\$	18	41
WALNUT	\$\$	11	7
ARTESIA	\$\$\$	47	1
BALDWIN PARK	\$\$\$	25	36
CALABASAS	\$\$\$	1	14
CARSON	\$\$\$	44	34
COMMERCE	\$\$\$	21	41
LAKELWOOD	\$\$\$	43	17
MONROVIA	\$\$\$	29	49
MONTEBELLO	\$\$\$	30	56
PARAMOUNT	\$\$\$	10	54
SANTA FE SPRINGS	\$\$\$	12	33
SOUTH GATE	\$\$\$	45	41
Unincorp. LOS ANGELES CO.	\$\$\$	1	38
WEST COVINA	\$\$\$	37	50
ALHAMBRA	\$\$\$\$	38	23
ARCADIA	\$\$\$\$	32	52
AZUSA	\$\$\$\$	33	32
BELLFLOWER	\$\$\$\$	19	21
BURBANK	\$\$\$\$	15	6
CLAREMONT	\$\$\$\$	49	9

Table 5 lists the cost ratings, business license fee rankings, and property tax rankings 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 cities with equal fees or tax rates receive the same ranking.

Table 5: The Cities of Los Angeles County (cont.)

instance, range from 10% in Inglewood to 12.5% in Los Angeles. In addition, property tax rates exceed 1.20% in four of the seven cities listed above, and run as high as 1.55% in Bell.

Los Angeles County remains an expensive area to do business in part because of its high sales and utility user taxes. Every incorporated city surveyed has a sales tax above 8.75%, while the California state median is 8.25%. Two cities have very high sales tax rates; Pico Rivera has a sales tax rate of 10% and South Gate has a sales tax rate of 9.75% (within the top three highest sales tax rates of all 307 cities surveyed). While only 45% of all California cities have utility user taxes, more than 60% of Los Angeles County cities tax at least one utility. Of the 45 cities with utility taxes, 23 have high electric taxes ranging from 6% to 12.5%.

Several Los Angeles County cities also have high property taxes. Eight of the cities surveyed have property taxes above 1.30% which are among the thirty highest property tax rates in California. The City of Industry has the highest property tax rate in the state of California at 1.99%. Although the City of Industry is rated as a high-cost city, it remains business friendly as it does not have business license fees or utility taxes.

The City of Los Angeles is one of the most expensive cities in the county, has high utility taxes ranging from 10% on gas to 12.5% on electricity, and has a relatively high property tax rate of 1.25%. Thanks to its gross receipts-based formula, the City also has one of the highest business license fees. Depending on

City Name	Cost Rating	Business License Fee Rankings	Property Tax Rankings
COVINA	\$\$\$\$	20	26
DOWNEY	\$\$\$\$	31	22
GLENDALE	\$\$\$\$	1	5
INDUSTRY	\$\$\$\$	1	63
LA VERNE	\$\$\$\$	36	12
LAWNDALE	\$\$\$\$	26	15
LONG BEACH	\$\$\$\$	34	17
MANHATTAN BEACH	\$\$\$\$	59	2
MONTEREY PARK	\$\$\$\$	42	55
NORWALK	\$\$\$\$	22	22
PICO RIVERA	\$\$\$\$	46	27
REDONDO BEACH	\$\$\$\$	39	10
SOUTH EL MONTE	\$\$\$\$	40	51
WEST HOLLYWOOD	\$\$\$\$	56	41
WHITTIER	\$\$\$\$	17	18
BELL	\$\$\$\$\$	54	62
BEVERLY HILLS	\$\$\$\$\$	67	47
CERRITOS*	\$\$\$\$\$	7	4
COMPTON	\$\$\$\$\$	52	31
CUDAHY	\$\$\$\$\$	41	41
CULVER CITY	\$\$\$\$\$	64	3
EL MONTE	\$\$\$\$\$	53	59
EL SEGUNDO	\$\$\$\$\$	65	35
GARDENA	\$\$\$\$\$	58	48
HAWTHORNE	\$\$\$\$\$	62	37
HUNTINGTON PARK	\$\$\$\$\$	51	58
INGLEWOOD	\$\$\$\$\$	63	57
IRWINDALE	\$\$\$\$\$	50	51
LOMITA	\$\$\$\$\$	61	48
LOS ANGELES	\$\$\$\$\$	68	46
LYNWOOD	\$\$\$\$\$	13	60
MAYWOOD	\$\$\$\$\$	41	42
PASADENA	\$\$\$\$\$	48	24
POMONA	\$\$\$\$\$	57	39
SAN FERNANDO	\$\$\$\$\$	60	61
SAN GABRIEL	\$\$\$\$\$	35	29
SANTA MONICA	\$\$\$\$\$	66	25
TORRANCE	\$\$\$\$\$	55	13

*Note: Cerritos was erroneously given a \$ rating in the 2015 report. The correct rating should have been \$\$\$\$\$.

the type of business, a company making \$10 million a year in the City of Los Angeles would pay between \$10,500 and \$52,800 a year in business license fees. The City of Los Angeles is surrounded by other High and Very High Cost cit-

ies, many of which also have high utility taxes and business license fees totaling several thousand dollars a year.

Westlake Village, the only Very Low Cost city in LA County, is located on

a geographic extreme of Los Angeles County, bordering the less expensive Ventura County. Westlake Village is one of six LA County cities surveyed without a business license tax. Westlake Village also has a low property tax rate (about 1.11%), and has no utility taxes.

Table 6: The Cities of Orange County

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

Table 6 lists the cost ratings, business license fee rankings, and property tax rankings for the cities surveyed in Orange County. Please note that the license fee and property tax rankings are in comparison to only the other cities in the county. Any cities with equal fees or tax rates receive the same ranking.

Orange County

Orange County remains a relatively low-cost county with 24 of the 28 cities featured in the *Survey* ranking Average Cost (\$\$\$) or lower. The county has five Average Cost (\$\$\$) cities, six Low Cost (\$\$) cities, and thirteen Very Low Cost (\$) cities. Three of the remaining four cities are High Cost (\$\$\$\$), and, only one city, Seal Beach, is Very High Cost (\$\$\$\$\$). Geographically, every city south of Santa Ana is either Low or Very Low Cost, and the more expensive cities are located in the northern part of Orange County, proximate to the Los Angeles County border.

Overall, Orange County has low business license fees and sales taxes relative to other California cities. Twenty-one of the twenty-eight Orange County cities surveyed (75%) have business license taxes below the state median of \$1,120 for a medium-sized retail business. Seven of the cities surveyed (25%) do not have business license fees, and twelve of the cities surveyed have low business license taxes for a medium-sized retail business that is less than \$1,000. Seventeen of the twenty-eight cities surveyed have a sales tax rate of 7.75%, which is below the state median of 8.25%.

Orange County's low property tax rates contribute to its low-cost county status. 24 of the 28 featured cities have property tax rates below the state median of 1.14%; sixteen of these cities have

property tax rates below 1.10%. Aliso Viejo and San Clemente have two of the ten lowest property tax rates in the *Survey*, including both California and non-California cities. Rancho Santa Margarita has one of the highest property tax rates in California at 1.50% due to a high water bond. However, Rancho Santa Margarita remains an Average Cost (\$\$\$) city because it does not have

any utility user taxes or business license fees.

The only Very High Cost city in Orange County, Seal Beach, has very low business license fees (a flat rate of \$207 in most business categories). However, Seal Beach has the highest utility taxes in the county (11%). For example, Seal Beach and Culver City have California's

highest telephone tax rates, and only the city of Los Angeles has a higher electricity tax rate (12.5%).



Photo by Ian D. Keating

Riverside County

Riverside County has a wide distribution of cost ratings, with four Very Low Cost (\$) cities, eight Low Cost (\$\$) cities, four Average Cost (\$\$\$) cities, six High Cost (\$\$\$\$) cities, and one Very High Cost (\$\$\$\$\$) city. Coachella is the only Very High Cost city with high taxes across all categories. Of the cities surveyed, Coachella has the highest retail business license fees; a medium-

sized retail business in City of Coachella pays \$7,000 per year, compared to \$2,588 in Moreno Valley and \$2,040 in Corona. Coachella also imposes a 5% utility tax rate and a property tax rate of 1.15%.

Property tax rates in Riverside County range from 1.03% to 1.39%. Fourteen of the twenty-three cities surveyed have

property tax rates above the state median of 1.15%. Banning and Beaumont have two of the twenty highest property tax rates in California (1.39% and 1.37%). However, Banning remains a Low Cost city because it has no utility taxes and a moderate retail business license fee of \$330 for medium-sized businesses.

Table 7: The Cities of Riverside County

Seven of the twenty-three Riverside County cities featured in the *Survey* have retail business license fees over \$1,000. Five cities have flat-rate fees of \$100 or less. Although every city charges a business license tax, the lowest fees are in the unincorporated areas of Riverside County at \$30, followed by \$36 in Temecula. Thirteen of the twenty-three cities surveyed have no utility user taxes; two of the cities surveyed only have taxes on three types of utilities, all of which are 5% or below. Conversely, City of Desert Hot Springs and City of Riverside have the highest utility taxes with rates of 7.0% and 6.5%, respectively, for all six utilities studied in the *Survey*.

The four Very Low Cost (\$) cities surveyed in Riverside County are Perris, Lake Elsinore, Menifee, and Temecula. None of these cities have utility taxes and they all have low property tax rates below 1.20%. Of the cities surveyed, Temecula has the lowest property tax rate in the county at 1.03%.

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

Table 7 lists the cost ratings, business license fee rankings, and property tax rankings for the cities surveyed in Riverside County. Please note that the license fee and property tax rankings are in comparison to only the other cities in the county. Any cities with equal fees or tax rates receive the same ranking.

San Bernardino County

San Bernardino is a lower cost county, with one Very Low Cost (\$) city and twelve Low Cost (\$\$) cities. The County also has four Very High Cost (\$\$\$\$\$) cities, one High Cost (\$\$\$\$) city, and one Average Cost (\$\$\$) city. All of the High and Very High Cost cities are concentrated around the City of San Bernardino and lie near the border of Riverside County.

The City of San Bernardino is one of the four Very High Cost cities in San Bernardino County; it has some of the highest taxes within the county. The City of San Bernardino, which imposes a 0.25% municipal sales tax, has the highest sales tax rate in the county at 8.25%. The gross receipts-based business license fee structure is also the highest in the county; a medium-sized retail business would pay \$7,549 in City of San Bernardino which is well above the state median of \$1,120. Additionally, San Bernardino has a high utility tax on electricity, gas, telephone, and cellular service (7.75%). Rialto, another Very High Cost city, is the only city in the county with higher utility taxes; it has an 8.25% tax on all six utilities studied in the *Survey*. The City of Rialto also has the fourth highest retail business license fees in the county, behind San Bernardino, Fontana, and Redlands.

San Bernardino County's property tax rates vary widely. For example, Chino and Chino Hills have two of the twenty lowest property tax rates among all California cities surveyed (1.05%). They are followed closely by City of Ontario with a property tax rate of 1.07%. In contrast, cities of Adelanto, Colton, Fontana, Loma Linda, Rialto, San Bernardino, Victorville, and Unincorporated San Bernardino County, all have property

rates between 1.31% and 1.35%, making them among the 25 most expensive California cities in terms of property tax. These tax rates are significantly higher than the state median of 1.14%. Despite high property tax rates, several of these cities, including Adelanto and Victorville, maintain Low Cost ratings because they have low business license taxes and no utility taxes.

San Bernardino remains a lower cost county because of low utility taxes and business license fees. 15 out of the 19 cities surveyed do not have any utility taxes. Additionally, most cities have low to moderate business license

fees. A medium-sized retail business would pay less than \$1,000 a year in ten San Bernardino County cities, and no business license fees in unincorporated parts of the county. Chino Hills and Hesperia have the lowest business license fees, with flat rates of \$84 and \$69, respectively, for all business categories. Although Unincorporated San Bernardino County does not have a business license tax, it has one of the highest property tax rates at 1.34% and therefore received a Low Cost rather than Very Low Cost rating.

Table 8: The Cities of San Bernardino County

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

Table 8 lists the cost ratings, business license fee rankings, and property tax rankings for the cities surveyed in San Bernardino County. Please note that the license fee and property tax rankings are in comparison to only the other cities in the county. Any cities with equal fees or tax rates receive the same ranking.

Table 9: The Cities of San Diego County

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

Table 9 lists the cost ratings, business license fee rankings, and property tax rankings for the cities surveyed in San Diego County. Please note that the license fee and property tax rankings are in comparison to only the other cities in the county. Any cities with equal fees or tax rates receive the same ranking.

San Diego County

San Diego has historically been one of the lowest cost counties featured in the *Survey*, and once again it maintains its place as the least expensive featured county. San Diego is one of very few California counties without any High or Very High Cost cities. Of the 16 cities surveyed, 6 are Very Low Cost (\$) cities, 7 are Low Cost (\$\$) cities, and 3 are Average Cost (\$\$\$) cities.

The City of San Diego is one of the least expensive larger cities in California. It is also one of only two Low Cost Cities in California with a population over 250,000 (the other being Anaheim), and it is the only Low Cost City in California with a population over 500,000. San Diego has a lower cost

rating than most large cities mainly because of its low business license fees, which are computed based on the number of employees working for a company. A medium-sized retail business in San Diego County would pay around \$560 per year in business license fees, which is one-half of the state median (\$1,120). Like most of the other cities in the county, City of San Diego does not have utility user taxes; however, it does have the highest property tax rate in San Diego County, which helps explain why it received a Low Cost rating rather than a Very Low Cost rating.

Of the cities surveyed, El Cajon, Oceanside, and Carlsbad received the highest cost ratings in San Diego County, as Average Cost cities. In lower cost categories, they remain competitive

with other California cities. El Cajon is the only city in San Diego County with utility taxes on electricity and gas, and one of just two cities with utility taxes on telecommunications. Oceanside has the highest business license fees in the county; with the city's gross receipts calculation formula, a medium-sized retail business would pay \$5,075 a year, compared to only \$560 in the city of San Diego. El Cajon is the only city in San Diego County with utility taxes on electricity and gas, and one of just two cities with utility taxes on telecommunications. Oceanside has the highest business license tax in the county; with the city's gross receipts calculation formula, a medium-sized business could pay \$5,075 a year, compared to the low figure of only \$560 in the city of San Diego.

San Mateo & Santa Clara Counties

With one Very Low Cost (\$) city, one Low Cost (\$\$) city, four Average Cost (\$\$\$) cities, two High Cost (\$\$\$\$) cities, and one Very High Cost (\$\$\$\$\$) city, San Mateo County is an Average cost county. The nine cities featured in the *Survey* within the County have property tax rates ranging from 1.09% to 1.17%. Except Foster City, which has the highest property taxes in the county, all San Mateo County cities surveyed have property tax rates below the state median of 1.14 %.

Like most of the Bay Area, San Mateo County has relatively high business

license fees; in seven of the nine cities surveyed, a medium-sized retail business would pay more than the state median of \$1,120. Daly City, where businesses pay 0.1% of their gross receipts in taxes, has the highest retail business license tax rates in the county (among the 20 highest in California). City of Colma and City of Burlingame, two Very Low Cost cities, both have low business license fees that are amongst the lowest retail business license fees in the state (bottom 20%). While a retail business making \$10 million per year in gross receipts would pay \$10,000 a year in City of Daly City, it would only

pay \$26 in City of Colma and \$100 in City of Burlingame.

Santa Clara County is a higher cost county than San Mateo, with no Very Low Cost (\$) cities, four Low Cost (\$\$) cities, four Average Cost (\$\$\$) cities, and four High Cost (\$\$\$\$) cities. All 12 Santa Clara cities surveyed have property tax rates above the state median, with Gilroy, Palo Alto, and San Jose having the highest in the county at 1.27%, 1.27%, and 1.28%, respectively. Relative to cities in San Mateo County, cities in Santa Clara County tend to have higher property tax and utility



Photo by Travis Wise

Table 10: The Cities of San Mateo County

user tax rates. While only three San Mateo County cities have utilities taxes, eight Santa Clara County cities have taxes on electricity, gas, and telecommunications ranging from 2% to 5%. The median utility tax in Santa Clara County, 2.2%, exceeds the Bay Area median of 1.55%.

Despite higher taxes on utilities, Santa Clara County has lower retail business license fees than San Mateo County, with a median fee of \$635 compared to \$3,858 in San Mateo County. In eight Santa Clara County cities, a medium-sized retail business would pay less than \$1,000 per year. In contrast, only two cities in San Mateo County (Colma and Burlingame) have comparable business license fees. The City of Palo Alto does not have any business license tax, while Mountain View charges a \$30 flat fee for most business types. Although the City of San Jose has the highest retail business license tax in Santa Clara County, a medium-sized retail business would still pay less in San Jose than it would in two thirds of the cities in San Mateo County.

City Name	Cost Rating	Business License Fee Ranking	Property Tax Ranking
COLMA	\$	1	2
BURLINGAME	\$\$	2	3
MENLO PARK	\$\$\$	3	5
SAN BRUNO	\$\$\$	6	4
SAN MATEO	\$\$\$	7	7
SOUTH SAN FRANCISCO	\$\$\$	4	1
FOSTER CITY	\$\$\$\$	8	8
REDWOOD CITY	\$\$\$\$	5	6
DALY CITY	\$\$\$\$\$	9	4

Table 11: The Cities of Santa Clara County

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

Tables 10 & 11 list the cost ratings, business license fee rankings, and property tax rankings for the cities surveyed in San Mateo & Santa Mateo County respectively. Please note that the license fee and property tax rankings are in comparison to only the other cities in the county. Any cities with equal fees or tax rates receive the same ranking.

Ventura County

Table 12: The Cities of Ventura County

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

Table 12 lists the cost ratings, business license fee rankings, and property tax rankings for the cities surveyed in Ventura County. Please note that the license fee and property tax rankings are in comparison to only the other cities in the county. Any cities with equal fees or tax rates receive the same ranking.

Ventura is a fairly low-cost county, as illustrated in Table 12. Of the nine cities surveyed, three are Very Low Cost (\$) cities, one is a Low Cost (\$\$) city, two are Average Cost (\$\$\$) cities, and three are High Cost (\$\$\$\$) cities. Ventura County does not have any Very High Cost (\$\$\$\$\$) cities. Generally, the more expensive cities, including Oxnard, Port Hueneme, and Unincorporated Ventura Co. are located along the coast, while less expensive cities such as Fillmore, Moorpark, Camarillo, and Thousand Oaks are located further inland. Compared with the rest of California, Ventura County cities tend to have lower sales tax rates. Four of the nine cities surveyed have a sales tax rate of 7.25%. The cities of

Fillmore, Camarillo, Thousand Oaks, and Ventura have a sales tax rate of 7.50%, and City of Oxnard has a sales tax rate of 8%. All cities in Ventura County fall below the state sales tax median of 8.25%.

There is significant variation in property tax rates between the cities surveyed in Ventura County. Six of the nine cities surveyed have property taxes lower than the state median of 1.14%, while Oxnard, Unincorporated Ventura Co., and Ventura have higher property taxes than the state median. Only Oxnard, a high cost city, has property tax in excess of 1.20%, at 1.22%. Additionally, seven of the nine cities surveyed do not have utility user taxes.

Only Port Hueneme and Ventura, two High Cost cities, have utility taxes of 4% and 5%, respectively. Two of the three Very Low Cost cities, Moorpark and Fillmore, are unique due to their low flat-rate business license fees. For example, a medium-sized retail business grossing \$10 million per year would pay just \$36 in Moorpark and \$258 in Fillmore (annually). Although Thousand Oaks' business license fees are based on gross receipts, they have remained Very Low Cost as the city does not have a utility users tax.

New Special Financing Districts Help Businesses and Cities Respond to California's Climate-Action and Housing Issues

There is some legislative momentum in California to generate business opportunity and investment. Since the dissolution of redevelopment in 2012, California has introduced several new tax-increment financing and special districts that provide opportunity for the private sector to work with cities and counties to install sustainable infrastructure, and develop housing and commercial projects that respond to California's climate-action goals and housing affordability challenges.

Initially targeting sustainable infrastructure and public/private transactions, Enhanced Infrastructure Financing Districts (EIFDs), via SB 628, were signed into law in September 2014. Then in September 2015, with a greater focus on disadvantaged communities and affordable housing, the state authorized the formation of Community Revitalization Investment Authorities (CRIAs), via the passage of AB 2. Most recently, Governor Brown and the State Legislature further demonstrated a commitment to addressing California's housing issues through the passage of the Neighborhood Infill and Transit Improvements Act (NIFTI - AB 1568) and the creation of Affordable Housing Authorities (AHAs - AB 1598); both provide additional financing structures for affordable and workforce housing using property tax increment and sales tax allocation.

California's special financing districts (EIFDs, CRIAs, NIFTIs, AHAs) have potential at the local level to create collaborative public and private sector investment in projects and sustainable infrastructure. These districts are starting to be formed. As of November 2017, EIFDs have been formed by the cities of West Sacramento, San Diego, and La Verne (Los Angeles County). Numerous local governments are evaluating the feasibility and benefit of EIFDs and CRIAs in their jurisdictions. Over time, as these districts proliferate, business investment and economic development opportunities will be created as the private sector focusses on getting city hall to use tax increment generated by new development projects within a tax increment district, to pay for infrastructure that supports collateral private sector investment in the district.

California Shifts Focus: Housing-Last to Housing-First Policy, but Rent Control Looms

In another business-supportive move, California finally appears to be approaching housing production as an economic development imperative. Recognizing that job rich locations, such as the Bay Area are losing employers due to a lack of housing, on September 29, 2017, Governor Jerry Brown signed a collection of 15 housing-related bills which aim to increase the number of housing units in the state by streamlining the development process, creating financing districts, monitoring/reviewing municipal land use approval processes, and charging new real estate transaction fees to create local revenues for affordable, supportive and transitional housing and emergency shelters.

Despite legislative efforts to increase the number of affordable units within the state, California's housing affordability issues are not going away. About 100,000 new homes need to be built each year, in addition to what is already planned, simply to satisfy California's population growth. While in the aggregate, these new housing bills are an attempt to expand statewide housing production, they represent a double-edged sword for the cost of housing projects. Roughly half of the new housing statutes pile on regulations for the public and private sectors. Several of

the new statutes add to the cost of housing development by requiring prevailing wage, while only three of the bills create new revenue sources for housing.

A new proposed ballot initiative, which could find its way onto the 2018 ballot, seeks to combat the State's housing affordability gap through the expansion of rent control. The proposed ballot initiative would repeal the Costa Hawkins Rental Housing Act (initially enacted in 1995), which limits the ability of cities and counties to enact rent control laws.

If repealed, California cities like Los Angeles could decide to apply rent control to new units (for example, current Los Angeles rent control can only be applied to units built prior to October 1978). Repealing the Costa Hawkins Act is a lightning rod for residential real estate owners who argue that it would further exacerbate California's housing crisis by raising the uncertainty of the State's housing market, and deterring new construction.

Based on foreseeable ballot measures and recent legislation, there is nothing on the horizon that appears to improve California's standing as a facilitative or cost-effective place to conduct business. Based on the 2016-2017 Kosmont-Rose

Cost of Doing Business Survey, California cities continue to rank among the most expensive cities in the country to do business. It is unlikely that California will relinquish its status as a "high cost" State anytime soon. The State's recent efforts to install new sustainability and housing districts that deploy tax increment are a small step in the right direction; but more is needed.



Photo by Giuseppe Milo

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