

Proposed Reform to Proposition 13 Qualifies for November Ballot

Proposition 13 was initially enacted in 1978 by two-thirds of California voters. It provided for property tax protection on both residential and commercial real estate. Prop 13 taxes properties based on one percent of the purchase price and only re-assesses when there is a change in ownership. The property increases each year only by an inflationary rate that cannot exceed two percent per year.

The proposed initiative on the ballot this November would establish a "split roll" where retail, office, commercial, and industrial real property would be taxed based on their market value, while the residential property would continue to be assessed based on its purchase price. Below are guidelines under the current proposed bill:

- Properties valued at \$3 million or less are excluded unless there is direct or indirect ownership of properties totaling \$3 million or more.
- Commercial and industrial property with a fair market value of more than \$3 million would be reassessed at its current fair market value at least every 3 years.
- The process of administering this new tax regimen will be determined by the California legislature, which will include, among other things, a process for reassessment appeals.
- The taxpayer will have the burden of proving that the property was not properly valued. The legislature also will determine a process by which to allocate mixed-use property between its commercial and residential uses for purposes of implementing the split roll.

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- NNN (Triple Net) rents will be impacted if the new initiative is voted into law, and this will lower all commercial real estate values in California.
- If 50% or more of the square footage of a commercial or industrial property is occupied by a small business, such property will not be subject to the new regime at least until the 2025-26 fiscal year.
- The split roll would become operative beginning January 1, 2022, and the tangible personal property tax relief would become operative on January 1, 2024.

Small businesses would be exempt from property tax on all of its tangible personal property. A small business is a business that: (1) has fewer than 50 annual full-time employees, (2) is independently owned and operated such that the ownership interests, management, and operation are not subject to control, restriction, modification, or limitation by an outside source, individual or another business, and (3) owns real property located in California. For all other taxpayers, an amount up to \$500,000 of combined tangible personal property and fixtures (other than aircraft and vessels) will be exempt from taxation.

Source: www.allenmatkins.com

**Current SBA 504 25-Year Fixed
Effective Rate for
June 2020 is 2.53-2.65%**

Senate Bill 939 for Commercial Lease Eviction Suspended

CA SB 939 was put on suspension indefinitely which would have allowed commercial tenants to unilaterally renegotiate or walk away from leases. The bill gave a disproportionate advantage to commercial tenants and provided no protection for commercial landlords who have also been affected by the pandemic. Commercial property owners would have been left with abundant vacancies while still having to pay their commercial mortgages, maintenance, utilities, insurance and property taxes. It is expected this bill if passed would have caused massive foreclosures throughout the state as well as job losses.

The bill was created with the intent to protect small businesses and restaurants but the way it was drafted applied to all commercial leases. It would have allowed commercial tenants to withhold rent indefinitely and terminate their leases. Most Commercial landlords have been working with their tenants on reduced or deferred rent payments to help keep them in business through the pandemic. Opponents of the bill suggest economic assistance for the businesses impacted by COVID which would help them finally through this challenging time. It is in the landlord's best interest to discuss solutions that are mutually

Agreeable to both parties to keep them as tenants. It is more difficult and costly in this environment to find a new tenant. If we allow lawmakers to have the ability to decide that one party can unilaterally renegotiate or terminate a binding contract than we have set a precedent moving forward that is dangerous.

Source: Connect Media June 10, 2020 and Commercial Observer June 18, 2020

\$78K Price Reduction on Medical Building



1,542 SF Medical Office Building

Located right off the 60 Freeway via Garfield. Excellent Signage!

Four exam rooms with sinks, lab, large waiting area, reception, office and two restrooms.

Parking lot in back with alley access. Street parking also available and abundant.

Please contact me for more information.

2322 S Garfield Ave Monterey Park



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Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.

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