

The logo for NAIOP (National Association of Independent Organizational Professionals) features the acronym "NAIOP" in a large, bold, green sans-serif font. To the right of the text is a stylized blue swoosh that curves around the letters. Below the acronym, the full name "COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION" is written in a smaller, green, all-caps sans-serif font, followed by "SoCAL CHAPTER" in a similar font.

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

SoCAL CHAPTER

Legislative Affairs Update



Legislative Affairs Committee

www.naiopsocal.org

A Report to the Board of Directors, Sponsors and Members

Committee Chair Justin McCusker • Co-Chair Stephane M. Wandel

January 17, 2019

Happy New Year! Welcome New Board Members

The members of the Chapter's Legislative Affairs and Political Action Committees welcome the new and returning Board Members. The Legislative Affairs Committee meets monthly in Costa Mesa for a working lunch. ***We strongly recommend that Board members participate, or that you have someone from your talented staff participate on the committee.*** To be added to the committee contact list for meeting information, please contact Vickie Talley (vickie@talleyassoc.com or 949-380-3300). It is absolutely clear 2019, and in fact the next two years, will be critical years for the future of commercial real estate. We will need all of your great insights to be successful. Also, throughout the year, please remember to check the Chapter's website home page where **Legislative Alerts** are posted. Thank you in advance for responding on ACTION item requests you will receive this year to make calls and send letters to legislators on important issues and legislation. ***Your personal contact does make a difference.*** It is vital to have ***a vocal and united voice*** supporting commercial real estate and elected officials do listen!

Washington DC Leadership Retreat, February 4 - 6 • Meetings with Members of Congress

Appointments are currently being made with members of Congress for the NAIOP Leadership and Legislative Retreat in Washington, D.C. These visits to our Federal Representatives are very important and provide critical exchanges of information on issues and legislation impacting commercial real estate. Since we have so many brand-new Representatives, we will try to meet with many to introduce them to NAIOP, yet, if Board Members attending the Retreat have special requests for meetings, please contact Peter Herzog (peter@talleyassoc.com or 949-380-3300). Appointments are scheduled the morning of Wednesday, February 6, the last day of the Retreat.

Very Important!

Please do not book your return flight until late afternoon on Wednesday, February 6, 2018 so that you are able to participate in meetings with members of Congress, which are held between 9:30 a.m. and 1:00 p.m. Thank you!

The "Blue Wave" was Actually a "Blue Tsunami" in California

Our industry has some very big challenges ahead including an extremely lopsided partisan divide in the Legislature, an incoming Governor with a huge mandate to steer the ship of state even further to the Left, and a split roll property tax initiative on the ballot next year. It was the largest win for Democrats at all levels of government ever in our state. Every close race – and even a couple that were not close on Election night, moved into the win column for Dems. At the **Congressional level** seven (7) seats switched from Republican to Democrat and played a large role in changing who holds the gavel in the U.S. House of Representatives back to Nancy Pelosi (D-San Francisco). **The California Delegation is now 44 - 7** in the House and both U.S. Senators remain Democrats. In the **State Legislature** the Democrats gained so much ground they not only reached the coveted "supermajority" status in both chambers, they have reached what some are referring to as

Over Please >>>

“gigamajority” status. **Dems hold a 60-20 advantage in the 80-member Assembly; and a 29 - 11 majority in the 40 member Senate.** As for executive elected offices, Democrats now hold every single statewide elective office. And just as an example of how lopsided the numbers were in the election, Governor-elect Gavin Newsom won his race by an incredible 21.6% margin. The bottom line is we now have a very solid single-party state whose liberal/progressive agenda makes it far more difficult to protect the interests of the commercial real estate industry.

Ballot Initiative 2020 – “The California Schools and Local Communities Funding Act” **Split Roll – The Most Important Battle to Ever Face Commercial Real Estate Has Begun!**

A split roll tax initiative entitled “The California Schools and Local Communities Funding Act” has been placed on the 2020 ballot. The key provisions would immediately reassess all business properties to their full market value, and the property would be reassessed every three years thereafter. Furthermore, the State Legislature has two years to come up with its own “better” (more damaging) split roll initiative. One can only imagine the impact and cost to long time property owners. How much has a property purchased 10 - 20 - 30 or even 5 years ago appreciated? The devastating impact of any split roll measure cannot be overstated. *The people and companies that make up all facets of the entire industry and its partners must come out strongly and use their time and money to defeat anything proposed in the Legislature and what will be on the 2020 ballot.* This is the defining moment for commercial real estate and it is not a fight we can afford to lose. The defeat of any split roll measure is an absolute necessity if there is to be any hope of having a commercial real estate industry in California. Additionally, our Sacramento advocate, California Business Properties Association (CBPA) is on the Executive Committee of Californians to Stop Higher Property Taxes, the entity that will coordinate business and taxpayer groups’ efforts.

Other Key Issues in 2019

Unfortunately, in addition to split roll, there are plenty of other issues facing commercial real estate in 2019. Here are just a few examples:

- **Over Regulation** - SCAQMD (South Coast Air Quality Management District) and CARB (California Air Resources Board) are even more aggressively pushing for restrictive air quality regulations such as indirect source rules and freight facility emission cap provisions, building code changes and on and on, using emotional arguments as opposed to scientific fact-based rationales. We also now are faced with AB 617 Community Emissions Reduction Plans which shift the focus from regional Federal air quality attainment to hyper local air quality plans.
- **Taxes and Fees** – Parcel taxes will continue to be a target as cities struggle with their budgets, along with linkage fee efforts, raising the sales tax, gross receipts taxes, increased local transportation development fees and storm water runoff fees, art in public places taxes and more. In many cases the new taxes are really to deal with the increased public employee pension costs, although they never say that is the reason for the tax increase. What is so problematic about this continued bombardment of tax and fee increases, is the cumulative effect on businesses. It will be important for commercial real estate and the business community as a whole to decide when ENOUGH IS ENOUGH.
- **CEQA Reform/Modernization** – This is a key issue as CEQA is now being used for things way beyond its original intent. So, we will look for ways to improve CEQA. Unfortunately, to date, the only “reform” has been to add a required analysis of Vehicle Miles Travelled (VMT) on top of all you already have to analyze.



“The most common way people give up their power is by thinking they don’t have any.”

–Alice Walker