

Throwing Money at Problems

Politicians are prolonging the pain of the recession with programs that provide a statistical recovery.

By P. JACOB YADEGAR

CLEARLY, we're in the worst recession seen since the 1930s. Unemployment continues to rise, and is 12.7 percent in Los Angeles County while the rest of the country is not far behind at 10 percent. If you include those who have seen their benefits expire, we are well north of 17 percent. That's one in six people that are ready, willing and able to work that are unemployed.

In recent weeks, the Federal Deposit Insurance Corp. seized California National Bank in Los Angeles and United Commercial Bank in San Francisco as it continues to work toward cleaning up the defunct banks and financial institutions that are basically operating without a pulse. Recent reports indicate that our state budget may have a larger deficit than expected, and will need more cuts and tightening to deal with the shortfall.

Interestingly, the federal government has been touting that 650,000 jobs have been saved or created with stimulus spending. A more in-depth review of the numbers as posted on www.recovery.gov shows that in California alone, we have received \$8.18 billion and created 110,185 new jobs at a cost of \$74,238 per job. In some instances, such as in South Carolina, the cost is closer to \$1.5 million per job.

As a small business owner in Los Angeles, it doesn't cost me nearly \$74,238 to create a job. In fact, if I was given a tax break for this amount, I would be inclined to create three new jobs that would be longer lasting, more productive and much more beneficial to the city and state than any government-created position.

Less optimistic

While some have jumped on the bandwagon of "the recession is over and behind us," others, like myself, are far less optimistic and much more realistic about the facts. A statistical recovery based on programs like Cash for Clunkers is hardly cause for celebration. All of the "temporary" programs, once taken off life support, will most likely flat-line and cause the gross domestic product figures to drop and unemployment to rise.

In fact, with the current economic conditions, revenues for the city of Los Angeles and the state of California will continue to decline as consumer spending slows, property values drop and unemployment continues to grow. It frightens me to think that we view the current market conditions with too much optimism and haven't thought about what steps need to be taken to lessen the pain if this recession lasts for another year or two.

Unfortunately, we still have not come around to making the



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Driving Sales: Cars in a Dumpster as part of a Cash for Clunkers program promotion in Raleigh, N.C.

tough decisions that need to be made to turn our local, state and national economy around. We continue to live on credit like a shopaholic who just can't refuse that one last purchase at the department store.

Instead of providing incentives for productivity and enabling the intelligence and entrepreneurial spirit that drives Los Angeles, we continue to subsidize and prolong our pain. Politicians try to please their voters when they are elected to serve us. Until we individually decide to change our ways, our elected officials will continue to spend recklessly as we pass the buck to future generations.

Californians, especially those in Southern California, are his-

torically very resilient. We have one of the most diverse economies, and some of the brightest people and most advanced technologies in the world. We have to go back to creating more incentives to enable our small businesses to continue to create leading-edge enterprises to get us through these tough economic times. Increased taxes and wasteful spending will only worsen our predicament and ultimately the quality of life for all of our residents.

P. Jacob Yadegar is the founder and chief executive of Empyrean Funding of Los Angeles, which specializes in residential and commercial loans and real estate.

Property Tax Hike Would Cost Californians

By CARL LAMBERT

As we all struggle to find our way through this mind-boggling economic calamity and the \$12.5 billion tax increase we were hit with earlier this year, there are some politicians and "activists" who are pushing a scheme in California that will only make matters worse.

Raising property taxes will have a devastating impact on all Californians. This tax increase will cost Californians between \$3.5 billion and \$7 billion each year.

Some so-called "tax reformers" who continually blame the passage of Proposition 13 for all of our budget problems are leveraging the current economic crisis to try to overturn provisions of the popular tax protection law. Instead of trying to curb the out-of-control spending that created California's massive budget chasm, they want to seize more from our shrinking wallets by raising taxes on rental and business

properties.

Their proposal, known as a "split roll" tax, would tax rental and business properties at a higher rate, assesses them more often or both. Proponents try to claim "big business" can simply absorb higher property taxes and the great windfall the state will get from these taxes will help solve its budget ills. Those of us involved in real estate investment know that nothing could be further from the truth.

Raising property taxes will have a devastating impact on all Californians. This tax increase will cost Californians between \$3.5 billion and \$7 billion each year. Rental property owners, who have already been devastated by the economy and historically operate on very thin margins, will have no choice but to pass along these billions in new costs. The 35 percent of Californians who live in rental housing will be burdened by increased rents as will most neighborhood merchants who rent space for their grocery stores, restaurants, auto shops — you name it. Consumers will also take a hit as neighborhood merchants and service providers are forced to pass on the price of higher property tax rates.

Devastating impacts

And the devastating impacts don't stop there. A study by former state Legislative Analyst William Hamm demonstrates that increasing taxes on business property owners would have far-reaching impacts for our devastated economy. The study, "The Economic Effects of California Adopting a Split Roll Property Tax," found that increasing business property taxes

by even 1 percent could lead to the loss of 43,000 jobs and reduced wages as business are forced to divert resources to higher property taxes, and it would lead to increased consumer prices and a decline in the value of financial assets held by public retirement funds.

It also found that increased business property taxes would burden low-income and minority citizens as they will have to pick up the tab for the new taxes through higher rents and increased costs of consumer goods.

Another study, by the Center for Government Analysis, found that businesses owned by women, minorities and Hispanics would be disproportionately harmed by property tax increases.

Tax increase proponents will continue to claim that rental and business property owners do not pay their fair share, but they are wrong here, too. The state Board of Equalization shows that in 2006-07 alone tax assessments on nonhomeowner property subject to Proposition 13 were \$626 billion higher than those on homeowner properties. And, business properties already account for 60 percent of local property taxes.

Instead of using our current economic crisis to try to increase our taxes yet again, politicians and "activists" should focus their energies on creating jobs and encouraging the economic growth that creates revenues to fund critical programs.

Carl Lambert is the founder of Lambert Investments Inc., a real estate investment firm in Santa Monica, and he is a member of the California Apartment Association.