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SECTION: A SECTION; Pg. A01**LENGTH:** 981 words**HEADLINE:** Attracting business: How Inland cities rate;
SURVEY: Some locales give companies a break on utility taxes and fees. Some don't.**BYLINE:** JACK KATZANEK; THE PRESS-ENTERPRISE**BODY:**

Cities need taxes and fees from businesses to survive, but some are more willing to give a relocating company a break than others.

Hemet, Corona, Temecula, Murrieta and Ontario are among the best bets in Inland Southern California for companies looking for lower-cost sites, according to a widely used survey released today.

San Bernardino, Rialto and unincorporated San Bernardino County were the worst in the Inland Empire for attracting businesses, according to the 2004 Kosmont-**Rose Institute** Cost of Doing Business Survey.

The survey looks at six kinds of taxes, including business license levies, utility and telephone use taxes, and property tax. Cities and counties are sorted into five categories. A single dollar sign means a city offers businesses a great deal. Five dollar signs are the poorest rating.

The Kosmont Survey is read by businesses looking to relocate and heavily used by real estate agents and brokers who make pitches to these businesses, said Joel Kosmont, president and chief executive officer of Los Angeles-based Kosmont Cos. The consulting firm prepared the report with the **Rose Institute** of State and Local Government at Claremont McKenna College.

City taxes and fees aren't the first thing a company looks at when they're considering relocation, Kosmont said. They look at transportation arteries, the local labor pool and other strengths and weaknesses that are usually outside a city's control.

"Once they've done that to narrow it down, they hone in on costs," Kosmont said by phone. "That's when the taxes and fees get examined."

The survey looks at 314 cities nationwide, and Kosmont said that for many California addresses it's a given that property taxes will be high. That in turn puts more pressure on cities, because the implementation of a tax on utility use is at local government's discretion.

Also, a business tax can be based on profits, net or gross, or square footage used. A city has leeway here.

Corona, for example, does not tax its utility users, and that's one of the reasons the city scores well every year, said Nancy Martin, economic development manager.

"We don't have a utility user tax, and when you see others charging 9 or 10 percent, well, that makes a difference," Martin said by phone.

Other factors in Corona include a streamlined city permit process, and Martin admitted that the city gains from a fairly well-educated work force. Companies can recruit from a pool of people who arrive at the office or factory in better moods because they didn't have to commute to work.

Ontario also scored well, and the airport and other transportation arteries have a lot to do with that. But the City Council has made a conscious effort to be attractive to businesses, said Mary Jane Olhasso, the city's economic development director.

"(Cities) all have to charge fees based on our cost recovery needs," Olhasso said by phone. "But the City Council wants to keep us business-friendly, and the city manager runs a lean operation here."

Ontario has no utility tax, and its business license fees are fairly inexpensive, Olhasso said. Also, the city has negotiated favorable water rates, which gives it a chance to attract firms such as Coca-Cola, which makes syrup at an Ontario plant.

Only four cities in California, and none in Southern California, received the top, one-dollar-sign rating. Some cities that did score high are directly competing with California for business relocations: Las Vegas, Henderson and Reno in Nevada, Mesa, Ariz., and Salt Lake City.

Riverside received four dollar signs, but Michael Beck, deputy city manager, said the Kosmont survey doesn't consider enough factors, including the fact that Riverside and a few other Inland cities have municipal electricity systems.

Rialto's poor grade can probably be traced to the 8 percent utility tax the city voted in last year, said Robb Steel, redevelopment director. The city levels with companies it attempts to recruit, reminding them the voters will consider ending the tax in five years, Steel said.

"It's a cause for concern. We do have to compete with cities with lower tax," Steel said by phone. "But we had to put police and fire on the street."

Steel said Rialto's advantage is cheaper land than Ontario and Rancho Cucamonga, another city with tax breaks. Also, he doesn't know of any companies that have said no to Rialto because of the utility tax.

This type of levy has been a sore spot for San Bernardino Councilman Neil Derry for several years. Along with the utility tax, the city's business tax is based on a company's gross, not net, revenues.

Derry said he believes the jobs that could be attracted will eventually offset a loss of revenue. He said it makes marketing the industrial development at the former Norton Air Force Base more difficult.

"It's very successful at raising revenue," Derry said by phone. The utility tax raises \$ 20 million a year, a fifth of San Bernardino's revenue. "But our failure to reduce it negatively affects our efforts to attract business."

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The 2004 Kosmont-**Rose Institute** Cost of Doing Business Survey ranked Inland areas based on the cost of running a business. How

Riverside and San Bernardino county areas placed:

THE CHEAPEST: Chino, Chino Hills, Ontario, Rancho Cucamonga, Upland, Corona, Hemet, Murrieta, Temecula, unincorporated Riverside County.

NOT BAD FOR THE BUCK: Adelanto, Apple Valley, Colton, Palm Desert.

FAIRLY PRICEY: Fontana, Indio, Moreno Valley, Palm Springs, Redlands, Riverside.

EXPENSIVE: RIALTO, SAN BERNARDINO, UNINCORPORATED SAN BERNARDINO COUNTY.

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