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14th ANNUAL KOSMONT-ROSE INSTITUTE COST OF DOING BUSINESS SURVEY PUBLISHED BY THE ROSE INSTITUTE OF STATE & LOCAL GOVERNMENT AT CLAREMONT MCKENNA COLLEGE

Los Angeles, December 15, 2008 -- The 14th annual *Kosmont-Rose Institute Cost of Doing Business Survey®* (*Survey*) has been released by the Rose Institute of State & Local Government at Claremont McKenna College. The 2008 *Kosmont-Rose Institute Cost of Doing Business Survey* uses a proprietary basket of costs approach to compare government fees as determinants of what drives businesses' location choices. The *Survey* objectively compares 402 cities nationwide based on the array of taxes and fees cities impose on businesses and significantly affect business interests such as sales, utility, income, property, and business taxes.

The *Survey* examines numerous types of fees, and each city has a unique approach to taxation and exaction. Nonetheless, trends still emerge year after year. More so than in recent years, the 2008 *Survey* reveals the tendency for older and more populous cities near the coasts or in the Great Lakes to be more expensive for business than their smaller, suburban counterparts.

The concentration of high cost cities is particularly evident in the Los Angeles and San Francisco Bay metropolitan areas. The highest cost cities, such as Santa Monica and Oakland, cluster around the aging urban cores, while newer bedroom communities in the outer suburbs charge developers for their growth and pass on the savings to businesses to stimulate their economies.

The *Survey* reports that California cities are more competitive than in the last few years, however, costs for businesses remain high. According to Larry Kosmont, the *Survey's* founder and President & CEO of Kosmont Companies, "California and many of its cities have been expensive for a long time, but some have tried to compensate with aggressive economic development and redevelopment programs. In this difficult economy, the California deficit is now the largest in history. Grappling with substantial cost increases in gas, health care and overly robust pension plans, local cities are stepping on their rates hike gas pedal. They are upping local fees or going directly to the voters to ask for a bailout in the form of increased taxes. The truth is most cities have little choice, but businesses can choose where they operate."

Utility usage taxes specifically tend to be higher in the older industrial cities where municipal infrastructure is aging and more expensive to maintain than in newer cities. However, two of the biggest determinants of a city's cost of doing business tend to be business license fees and property taxes.

Often politically-driven, business license fees tend to reflect the general attitude towards business in a city. Cities that charge the highest license fees such as Los Angeles, Philadelphia, and Cincinnati, are often those that have a history of uneven relations with the business community.

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The 2008 *Survey* reveals that communities in western states such as Washington, Colorado, and Nevada consistently provide low cost areas in which to do business. California cities such as Los Angeles, Oakland, San Francisco, and Santa Monica continue to receive Very High Cost ratings and Los Angeles County continues to be one of the *Survey's* most expensive counties. Of the 50 most expensive cities in the *Survey* nationwide, ten are in Los Angeles County.

Nationally, the ten least expensive cities in 2008 (in alphabetical order) are: Cheyenne, WY; Eugene, OR; Everett, OR; Federal Way, WA; Fort Worth, TX; Gresham, OR; Houston, TX; Kent, WA; Reno, NV; and Vancouver, WA. The ten most expensive cities in 2008 (in alphabetical order) are: Akron, OH; Chicago, IL; Clarksburg, WV; Jersey City, NJ; Los Angeles, CA; New York, NY; Newark, NJ; Philadelphia, PA; San Francisco, CA; and Santa Monica, CA.

According to Larry Kosmont the *Survey* is best used as a "tie-breaker" for companies that are contemplating a move or an expansion and have already determined the best mix of factors important to them such as the quality of the labor force, the cost of housing, and the proximity to their suppliers and customers. The *Survey* is an opportunity for these companies to narrow their short list of cities by comparing the "hard" numbers and ultimately make a comprehensive and strategic decision to remain, expand, or relocate.

The *Survey* also includes information on economic development incentives that each city offers. Such incentives and other development programs are not computed into the Cost Rating, but they add an extra layer of information to help bolster a business's case for selecting a city.

The 2008 list enables a more accurate year-over-year comparison for any given city. **This year's *Survey* incorporates a new weighting system in order to reflect rising energy costs for a more accurate representation of business costs.** The **methodology changes** will enable greater analysis of how cities change over time, enhancing the power of the *Survey* in years to come.

About the Kosmont-Rose Institute Cost of Doing Business Survey®

Since its inception fourteen years ago, the *Survey* has grown from 75 to over 400 cities and the baseline of taxes evaluated has expanded as well. In the past when cost ratings were assigned, the *Survey* considered how each individual city compared to the mean value of all the cities for that year. In the 2008 release we used the median value from the previous year. By using the median value instead of the mean, cities stand more on their own merits, and their relative position in the *Survey* is less prone to minor changes in the other cities. Changes in one city are prevented from affecting other cities even if the other cities have changed none of their policies.

The 2008 Survey provides a complete ranking of 402 cities in terms of their relative cost to business and divides this ranking into five groups called "Cost Ratings." The Cost Ratings are termed Very Low Cost (\$), Low Cost (\$\$), Average Cost (\$\$\$), High Cost (\$\$\$\$), and Very High Cost (\$\$\$\$\$). The *Survey* is in its fourteenth year of publication and its sixth year as the *Kosmont-Rose Institute Cost of Doing Business Survey*. The 2008 Edition is available for purchase by individual city profiles or in its entirety on CD.

Data customized for your community is available on request. Contact the Rose Institute at 909-621-8159, or via e-mail at TaxSurvey@claremontmckenna.edu

- **Additional Lists and Maps are also available from the Rose Institute.**
- **The complete 2008 *Survey* is available at: <http://rose.claremontmckenna.edu/kosmont/CODBS.asp>**
