

MOTION

Limited Liability Companies (LLCs) are a hybrid type of legal structure that provides the members, that is, its owners, the limited liability of a corporation and the tax efficiencies and flexibility of a partnership since LLCs are not taxed as a separate business entity and all profits and losses are passed through the business to each member of the LLC.

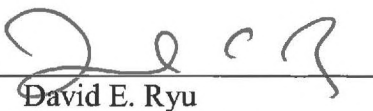
Since the business itself is not taxed, all federal income taxes are passed on to the LLC members and paid through their personal income tax. In addition, members are protected from personal liability for business decisions or actions of the LLC. If an LLC is sued, members' personal assets are exempt from liability, similar to the liability protections of a corporation.

In the last couple of years, a large number of homes in the city that are valued over \$5 million have been secured by an LLC, or more commonly referred to as a 'shell company'. When the ownership of a property is unknown, it can lead neighbors to wrongly assume that some are using LLCs to hide their wealth, particularly individuals involved in illicit transactions.

The proliferation of LLCs to purchase high end real estate in the city, can at worst lead to fragmented neighborhoods where neighbors do not trust each other, or are at the very least are not even neighborly to each other.

I THEREFORE MOVE that the Council instruct the Planning Department, with the assistance of the City Attorney, to report on options available to regulate Limited Liability Companies (LLCs), commonly referred to as 'shell companies', in the purchase of property inasmuch as it enables the securing of real estate without having a named owner attached to the transactions.

PRESENTED BY:



David E. Ryu
Councilmember, 4th District

SECONDED BY:



ORIGINAL

FEB 17 2016

