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California Supreme Court Issues Significant Opinion Concerning the Assessment of Intangible Assets in Property Taxation: Greenberg Traurig

On August 28, 2025, the California Supreme Court issued a significant, yet divided, opinion concerning the treatment of intangible assets in property taxation: *Olympic & Georgia Partners, LLC v. County of Los Angeles* (2025) - P.3d -, 2025 WL 2473858. Justice Groban authored the majority opinion. The divided Court also issued two separate dissents, authored by Justice Liu and Justice Kruger, respectively.

The case concerned the property tax assessment of the JW Marriott and Ritz Carlton Hotel in downtown Los Angeles. Three assets were in dispute. First, a subsidy that the City of Los Angeles paid to the hotel owner to incentivize construction, valued at approximately \$80 million and referred to in the case as the “occupancy tax payment.” Second, a one-time payment of \$36 million that the hotel manager paid to the owner to secure the right to manage the hotel, referred to in the hotel industry and in the case as “key money.” Third, a collection of business assets that included the hotel’s flag and franchise, food and beverage operations, and assembled workforce, collectively valued at \$34 million and referred to in the case as the “hotel enterprise assets.”

The City of Los Angeles had decided decades ago that it needed a headquarters hotel adjacent to its unprofitable convention center to support conventions, revitalize downtown Los Angeles, and draw tourists and businesses to the City. The City concluded that a hotel in this specific location would be publicly beneficial but privately uneconomic: that it would yield extensive municipal benefits, but that no private developer would go it alone because the cost would outweigh the private payoff. So, the City solicited a developer, Plaintiff Olympic and Georgia Partners, LLC (Olympic), to develop the hotel, and it incentivized the business enterprise by investing the amount paid in transient occupancy taxes to the City by hotel guests in a unique arrangement. This public private partnership was the first of its kind in the City and realized the City’s goals with success.

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