



City of San Leandro

Meeting Date: July 20, 2020

Staff Report

File Number: 20-334

Agenda Section: ACTION ITEMS

Agenda Number: 10.A.

TO: City Council

FROM: Jeff Kay
City Manager

BY: City Council

FINANCE REVIEW: Susan Hsieh
Finance Director

TITLE: Staff Report for City Council Consideration and Possible Action to Place a Measure on the November 2020 Ballot Requesting Voter Authorization to Increase the Real Property Transfer Tax by \$5 per \$1,000 in valuation

SUMMARY AND RECOMMENDATIONS

It is recommended that the City Council:

- 1) By motion, adopt by majority vote the attached resolution placing a measure on the November 3, 2020 ballot asking San Leandro voters to increase the City's existing, voter-approved real property transfer tax ("RPTT") measure from its current rate of \$6 per \$1,000 of property value to a new rate of \$11 per \$1,000 of property value, and direct staff to execute the related ballot filing procedures.
- 2) By motion, adopt the attached ordinance codifying the proposed measure at the proposed \$11 rate, contingent upon authorization by the voters of the measure described in item 1) above.

BACKGROUND

Over the past several years, the City Council has discussed numerous strategies to close the City's General Fund structural budget deficit. These strategies have included efforts to reduce the City's expenditures, alternative service-delivery options, as well as ways of generating new revenues. As of the date of the writing of this staff report, the City has already executed a number of long-term cost-saving measures, including:

- Adoption of labor contracts that require employees to contribute their maximum share towards employee pension costs;
- Implementing new pension tiers that provide reduced pension benefits to more

recently-hired employees;

- Holding the line on the addition of new City staffing (the City presently maintains approximately 15% less staff than it had in place over a decade ago);
- Creation of a new program (Prioritization of Unfunded Liability Liquidation, or “PULL”) to set aside funds towards the costs of the City’s long-term unfunded liabilities.

Nevertheless, in order to address the City’s long-term budgetary challenges, the City Council also expressed a desire to also explore ways of generating new revenues, in addition to further exploring additional expenditure reductions beyond those that have already been implemented. The City’s budgetary challenges are further exacerbated by the onset of the coronavirus pandemic and related public health measures, which have resulted in significant revenue losses. Indeed, in the current fiscal year alone, the City forecasts a loss of approximately \$9 million in previously anticipated revenue.

In line with direction from the City Council, City staff have been undertaking over the past year a program of community engagement to discuss and gather input from the public on City service priorities and potential efforts to increase revenue. To assist in these efforts, the City contracted with Godbe Research to conduct two separate feasibility polls to gauge potential public support for a variety of potential revenue measures and to provide a quantitative assessment of voter support. The first of those polls was conducted in June 2019.

At the February 11, 2020 City Council retreat, City staff presented the results of community surveying/polling that was completed in June 2019. That 2019 polling work tested the viability of several new revenue options including: a public safety parcel tax, an increase to the real property transfer tax (RPTT) at varying rates, and a vacant property tax, each of which would require voter approval. Out of those various taxes, the real property transfer tax appeared to be the most viable while also having the capacity to generate sufficient levels of new revenue to substantively mitigate the City’s budgetary deficit. At the conclusion of the February 11, 2020 presentation on this matter, the City Council directed staff to continue moving forward with exploration of a potential increase in the real property transfer tax as part of the November 2020 election. Based on that direction, staff returned to the City Council on April 20, 2020 and received direction to work with Clifford Moss and Godbe Research to provide strategic project management support and to facilitate an additional revenue measure feasibility tracking poll in Spring 2020.

Godbe Research conducted a second poll in late May/early June 2020 to test the viability of a potential increase in the RPTT, which is a transaction tax collected when real estate is sold or purchased and ownership transfers from one party to another. Those poll results were subsequently presented publicly at the July 6, 2020 City Council meeting.

Summary of 2020 Public Opinion and Community Survey Results:

Public opinion survey results indicated majority community support exists for increasing the real property transfer tax rate in order to protect and maintain local services such as:

- Repairing potholes and rehabilitating City streets;
- Supporting local small businesses and residents through the economic recovery from the

- COVID-19 crisis;
- Enhanced pandemic response and economic recovery;
- Maintaining 9-1-1 emergency response;
- Maintaining youth violence prevention and gang intervention programs;
- Preparing and responding to natural disasters and health emergencies;
- Providing mental health programs;
- Maintaining senior services and facilities;
- Maintaining City parks, paths, and playfields;
- Maintaining library programs for children and adults; and
- Maintaining after-school programs for children and teens.

Since the implementation of the survey, Staff also distributed both electronic and mailed community surveys to a broad cross-section of community residents in order to collect additional public input on the specific City programs and services that are of highest importance to the community. Approximately 2,100 survey responses were received. The following city-services received the highest levels of support:

- MAINTAIN 911 rapid response times for police, fire, and medical emergencies;
- REDUCE crime & maintain youth violence prevention services; and
- FIX potholes and repave city streets/sidewalks.

At the conclusion of the presentation of the above survey results at the July 6, 2020 City Council meeting, the City Council directed staff to move forward with presenting for the Council's consideration the necessary documents to place a measure on the November 2020 ballot that would ask voters to authorize a \$5 increase in the City's existing RPTT.

Proposed Ballot Question:

Should the City Council decide to place the measure on the November 3, 2020 ballot, the following draft ballot language is recommended to be used in the upcoming election. It has been reviewed and is recommended by the City's consultants, is approved by the City Attorney, and meets the specific legal and technical requirements under State law. Staff therefore recommends that no changes be made to the proposed ballot language. The City Council may authorize the Mayor or a subcommittee of the City Council to file an argument in favor of the measure and a rebuttal to an argument filed against it and to work with an independent campaign committee or other third-parties on the preparation of the argument and rebuttal.

To maintain City of San Leandro services, with revenue that cannot be taken by the State, including: repairing potholes/streets; supporting seniors, families and local small businesses through COVID-19 economic recovery; preserving 911 emergency response; maintaining youth violence prevention programs; and general city services; shall San Leandro increase the existing real property transfer tax rate, collected when property is sold, by \$5 per \$1,000 in valuation, generating an additional \$4,000,000 annually, until repealed by voters, all funds benefiting San Leandro?

YES NO

Fiscal Impacts

If adopted by voters, staff estimates that the proposed measure would generate approximately \$4 million in additional revenue per year.

Budget Authority:

Funds were budgeted in account 010-11-031 in the FY 2020-2021 General Fund budget to off-set the anticipated costs of the November 2020 General Municipal election.

Conclusion:

This report provides an overview of the proposed increase to the City's Real Property Transfer Tax for the November 3, 2020 election. If the City Council wishes to proceed to place the measure on the ballot, then staff recommends that the City Council take two separate votes:

- 1) Approve by majority vote the resolution to place the measure on the ballot and direct staff to take all necessary steps to do so;

- 2) Approve the text of the proposed ordinance for submittal to the County Board of Supervisors and the Registrar of Voters to increase the real property transfer tax from its current rate of \$6 to the new rate of \$11 per \$1,000 in valuation.

PREPARED BY: Eric Engelbart, Deputy City Manager, City Manager's Office



City of San Leandro

Meeting Date: July 20, 2020

Staff Report

File Number: 20-339

Agenda Section: ACTION ITEMS

Agenda Number:

TO: City Council

FROM: Jeff Kay
City Manager

BY: City Council

FINANCE REVIEW: Susan Hsieh
Finance Director

TITLE: ORDINANCE of the City of San Leandro Amending Section 2-3-105 of the San Leandro Municipal Code Relating to the Real Property Transfer Tax.

THE PEOPLE OF THE CITY OF SAN LEANDRO DO ORDAIN as follows:

SECTION 1. AMENDMENT TO THE SAN LEANDRO MUNICIPAL CODE. San Leandro Municipal Code Section 2-3-105 of the San Leandro Municipal Code is hereby amended to read as follows (with additions in *italics* and deletions in ~~strike through~~):

“CHAPTER 2-3 REAL PROPERTY TRANSFER TAX

2-3-105 IMPOSITION OF TAX

(a) A tax is hereby imposed on each transfer by deed, instrument or writing, by which any lands, tenements or other real property located in the City, are sold or granted, assigned, transferred or otherwise conveyed to, or vested in, a purchaser or purchasers thereof, or any other person or persons at or by the direction of said purchaser or purchasers, when the value of the consideration exceeds One Hundred Dollars, said tax is to be at the rate of ~~Six Dollars (\$6.00)~~ *Eleven Dollars (\$11.00)* for each One Thousand Dollars (\$1,000.00) or fractional part of One Thousand Dollars or the value of the consideration.

As used herein, “value of the consideration” means the total consideration, paid or delivered or contracted to be paid or delivered in return for the transfer or any lands, tenements or other real property, including the amount of any indebtedness, existing immediately prior to the transfer which is secured by a lien, deed of trust or other encumbrance on the property conveyed and which continues to be secured by such lien, deed or trust or encumbrance after said transfer, and also including the amount of any indebtedness which is secured by a lien, deed of trust or encumbrance given or placed upon the property in connection with the transfer to secure the payment of the purchase price or any part thereof which remains unpaid at the time of the transfer. “Value ~~of~~ of the consideration” also includes the amount of any special assessment levied or imposed upon the lands, tenements or other real property by a public body, district or agency,

where said special assessment is a lien or encumbrance on the property and the purchaser or transferee agrees to pay such special assessment or takes the property subject to the lien of such special assessment. The value of any lien or encumbrance of a type other than those which are hereinabove specifically included, existing immediately prior to the transfer and remaining after said transfer, shall not be included in determining the value of the consideration. If the value of the consideration cannot be definitely determined, or is left open to be fixed by future contingencies, "value of the consideration" shall be deemed to mean the fair market value of the property at the time of transfer after deducting the amount of any lien or encumbrance if any of a type which would be excluded in determining the value of the consideration pursuant to the above provisions of this section.

SECTION 2. FUTURE AMENDMENTS. To the extent allowed under Article XIII C of the California Constitution, this Ordinance may be amended by the City Council without a vote of the people, except that voter approval shall be required for any amendment that increases the tax, within the meaning of Government Code section 53750(h), beyond the levels authorized by this chapter.

SECTION 3. CEQA. Approval of the ordinance is exempt from further environmental review under the general rule in California Environmental Quality Act (CEQA) Guidelines Section 15061(b)(3) that CEQA only applies to projects that have the potential for causing a significant effect on the environment. As a series of text amendments and additions, it can be seen with certainty that there is no possibility that this ordinance will have a significant effect on the environment.

SECTION 4. SEVERABILITY. If any section, subsection, subdivision, paragraph, sentence, clause or phrase of this Ordinance, or its application to any person or circumstance, is for any reason held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases of this Ordinance, or its application to any other person or circumstance. The City Council of the City of San Leandro hereby declares that it would have adopted each section, subsection, subdivision, paragraph, sentence, clause or phrase hereof, irrespective of the fact that any one or more other sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases hereof is declared invalid or unenforceable.

SECTION 5. EFFECTIVE DATE AND PUBLICATION. This ordinance shall take effect ten (10) days after the certification of its approval by the voters at the Election pursuant to Elections Code section 9217. Upon approval by the voters, the City Clerk shall certify to the passage and adoption of this Ordinance and shall cause it to be published according to law.



City of San Leandro

Meeting Date: July 20, 2020

Resolution - Council

File Number: 20-338

Agenda Section: ACTION ITEMS

Agenda Number:

TO: City Council

FROM: Jeff Kay
City Manager

BY: City Council

FINANCE REVIEW: Susan Hsieh
Finance Director

TITLE: RESOLUTION of the San Leandro City Council Calling a Municipal Election in the City of San Leandro for the Purpose of Submitting to the Voters a Measure Relating to an Increase in the Existing Real Property Transfer Tax; Setting Forth the Statement of the Measure to be Voted Upon; Fixing the Date and Manner of Holding the Election; and Requesting the Board of Supervisors of Alameda County to Provide for the Consolidation of the Municipal Election with the General Election to be Held on November 3, 2020, and to Provide Election Services.

WHEREAS, the City Council of the City of San Leandro desires to call a Municipal Election to be held on November 3, 2020, for the purposes of submitting to the voters a ballot measure.

SECTION 1. That a measure is to appear on the ballot as follows:

To maintain City of San Leandro services, with revenue that cannot be taken by the State, including:

- repairing potholes/streets;
- supporting seniors, families, and local small businesses through COVID-19 economic recovery;
- preserving 911 emergency response;
- maintaining youth violence prevention programs; and
- general city services;

shall San Leandro increase the existing real property transfer tax rate, collected when property is sold, by \$5 per \$1,000 in valuation, generating an additional \$4,000,000 annually, until repealed by voters, all funds benefiting San Leandro?

YES NO

SECTION 2. That the proposed complete text of the measure (Ordinance) submitted to the voters is attached as Exhibit A.

SECTION 3. That the vote requirement for the measure to pass is a majority (50%+1) of the votes cast.

SECTION 4. That the City Clerk is authorized and directed to certify the adoption of this resolution and to transmit a copy thereof so certified to the County Clerk of the County of Alameda. The City Clerk is further authorized and directed to prepare, execute, and transmit to the County all documents necessary to carry out the purposes of this resolution.

SECTION 5. The City Attorney is hereby authorized and directed to prepare and transmit to the City Clerk the impartial analysis and the official ballot title.

- a) The City Attorney shall prepare an impartial analysis of the measure not exceeding 500 words showing the effect of the measure on the existing law and the operation of the measure.
- b) The analysis shall include a statement indicating whether the measure was placed on the ballot by a petition signed by the requisite number of voters or by the governing body of the city.
- c) In the event the entire text of the measure is not printed on the ballot, nor in the voter information portion of the voter information guide, there shall be printed immediately below the impartial analysis, in no less than 10-point type, the following: "The above statement is an impartial analysis of Ordinance or Measure ___. If you desire a copy of the ordinance or measure, please call the Election Official's Office at (510) 577-3367 and a copy will be mailed at no cost to you."
- d) The impartial analysis shall be filed by the date set by the City Clerk.

SECTION 6. That the City Clerk is directed to publish a synopsis of the measure pursuant to Elections Code Section 12111 and Government Code Section 6061.

SECTION 7. That the City Council shall meet at a regular meeting to review the canvass of the returns of the Municipal Election and declare the results thereof.