



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Vice Mayor Chappie Jones

SUBJECT: Potential March 2020 Real Property
Transfer Tax Ballot Measure

DATE: December 3, 2019

Approved

Date 12/3/19

RECOMMENDATION

Accept staff recommendation with the following adjustment for enacting a real property transfer tax including unrecorded transfers at these rates:

- \$2,500,000 EXEMPT, \$2,500,000.01 to \$5,000,000 at 0.75%, \$5,000,000.01 to \$10,000,000 at 1.0%, and over \$10,000,000 at 1.5%

BACKGROUND

Thank you to staff for their work on the potential 2020 ballot measures. The revenue that will result from this tax will generate additional funding for important City programs, such as affordable housing. Two-million-dollars is rapidly becoming a more average home price in Silicon Valley. As home prices continue to increase, I would like to make certain we are not going to discourage the sale and purchase of the higher value home market. Staff made an effort to create a framework for a real property transfer tax that is targeted towards the “wealthier” residents in San Jose. A major flaw in staff’s assumptions was the significant number of residents who reside in homes worth two-million-dollars or more who are not wealthy. District 1 has a large number of seniors who purchased their homes in the 1960s, 70s, and 80s, who are retired and on fixed incomes.

In conversations with the West Valley Community Service Agency, I became aware of the number of my residents who live in those “wealthy” areas who have to utilize the agency’s services for food and other support. They are a new roof or sewer line away from having to take out an equity loan or reverse mortgage. They are house rich and cash poor. Some may make the argument that when they sell their homes, they will get a “windfall” profit. After fees, taxes, commissions, and other expenses, the money that remains is their retirement savings. Anyone

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who has taken care of an elderly parent knows full well the high cost of elder care. I know from personal experience that if you want your loved ones to stay in their homes it can cost \$10,000 a month for 24-hour caregivers. Memory Care, hospice, and other accommodations can have similar costs. By increasing the exemption threshold to 2.5-million-dollars, we can make sure that our seniors who have worked hard and paid their dues can live out their remaining years in comfort and dignity.

The signers of this memorandum have not had, and will not have, any private conversation with any other of the City Council, or that member's staff concerning any action discussed the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.