



Memorandum


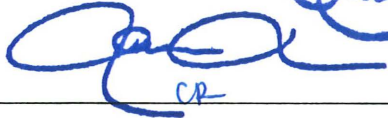
TO: CITY COUNCIL

FROM: Mayor Sam Liccardo
Councilmember Raul Perez
Councilmember Lan Diep

SUBJECT: SEE BELOW

DATE: November 15, 2019

APPROVED:



CP

DATE: 11/15/19


NH

SUBJECT: POTENTIAL REAL PROPERTY TRANSFER TAX MEASURE

RECOMMENDATIONS

1. Accept staff's recommendations to:
 - a. Accept the staff report regarding the outcome of recent public opinion polling around a potential March 3, 2020 real property transfer tax measure, and
 - b. Direct the City Manager and City Attorney to return with a draft real property transfer tax measure on December 3, 2019, including proposed ballot question, ordinance, resolution, and any other items required for the City Council to call an election to place the tax measure on the March 3, 2020 ballot.
2. Accept City staff's proposed tax structure of:
 - a. A floor of \$2 million of assessed value, exempting any property transfer of \$2 million or less, which would exempt 95% of home sales in San José according to 2017-2018 data, and
 - b. Three tiers at the following rates:
 - i. 0.75% for transfers valued from \$2,000,001 to \$5,000,000,
 - ii. 1.0% for transfers valued from \$5,000,001 to \$10,000,000, and
 - iii. 1.5% for transfers valued more than \$10,000,000.

3. For the December 3, 2019 Council meeting, direct staff to bring back a proposed annual spending plan for revenue from a potential real property transfer tax measure, including:
 - a. Up to 5% set-aside for City administration of funding, related to increased workload resulting from the creation of more affordable housing, and
 - b. Of the remaining revenue, allocate:
 - i. 50% for extremely low-income (ELI) households—defined as earning less than 30% of area median income (AMI)—including:
 1. No less than 5% for homelessness prevention and intervention, and
 2. permanent supportive rental housing, and rental assistance for homeless college students, seniors, and families.
 - ii. 40% for affordable rental housing for 30%-80% AMI households, and
 - iii. 10% for below market-rate for-sale housing and moderate-income rental housing—up to and including 120% AMI—including rent-restricted ADU forgivable loans, down payment assistance, and first-time homeownership opportunities for households up to 120% AMI.
4. Also for the December 3, 2019 Council meeting, direct staff to bring back an ordinance to ensure the transparency and accountability of the City Council's property transfer tax revenue allocation decisions, including, as the City Attorney deems lawful:
 - a. Requiring a 60-day notice and at least two public hearings prior to the Council taking action on any proposed change to the annual spending plan that could shift any funding, and
 - b. Mandating a supermajority, two-thirds Council vote to change annual spending plan that could shift any funding, and
 - c. Creating a separate accounting for the revenues generated by the measure for the purposes of oversight for the citizens Oversight Committee, and
 - d. Establishing an Oversight Committee consisting of unelected members of the public, with scheduled, properly noticed meetings to enable wider public participation.

Background

As staff lays out in multiple memoranda, in the City of San José there is a deepening affordable housing crisis. Without the adequate resources to address it, we will not be able to provide the solutions needed.

We are pleased that City polling shows that there is support (63%) for the community to join the effort to increase City resources via a real property transfer tax.

This general levy is a necessary but not sufficient means to boost City resources to combat this crisis, and we will return to Council to discuss a commercial linkage fee and other options in the weeks and months ahead.