



Memorandum

**TO: HONORABLE MAYOR &
CITY COUNCIL**

FROM: Councilmember Johnny Khamis

**SUBJECT: UPDATE ON THE
POLLING RESULTS ON
THE POTENTIAL MARCH
2020 BALLOT MEASURES**

DATE: November 15, 2019

APPROVED:

Johnny Khamis (Signature) (Seal)

DATE

11 / 15 / 19

RECOMMENDATIONS:

- (a) Accept the staff report regarding the outcome of recent public opinion polling around potential 2020 ballot measures; and
- (b) Direct staff to cease further work on new tax measures for the 2020 ballot.

BACKGROUND:

Just because the polling shows that we can pass a new tax, it does not mean we should. Although this may not be the most egregious tax, the issue isn't that we do not have enough resources, it's that we have not yet lined up projects ready to build or the land on which to build them.

The tax proposed is a Transfer Tax on sales of property over \$2 million that would flow to the City's General Fund where it can be spent on whatever the City Council decides, which typically happens in the context of the annual budget process. Future Councils can change direction as they please with respect to General Fund dollars, so there's no guarantee the money would continue to be spent as described on the ballot or in the memos.

While this tax may not directly affect you, it has the potential to lock people who are house rich and cash poor into their homes, preventing them from downsizing. Keeping houses off the market has two major results: 1) the supply of homes in the marketplace is lowered, driving up housing prices for everyone, and, 2) the growth in revenue that results when a home is reassessed upon its sale will not take place, hampering the growth of property tax revenues that help support City services like police, fire, parks, trails, libraries, and community centers.

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Here a tax, there a tax, everywhere a tax, tax

Here is a refresher on some of the many taxes that voters have approved over the past four years:

- Measure T - a City-wide property tax to pave streets and improve infrastructure
- Measure B - a City-wide 1/4-cent sales tax to support General Fund needs like improved police staffing
- Measure A - the permanent extension of a “temporary” County-wide 1/8-cent sales tax to support the County General Fund
- Measure A - a County-wide property tax to fund a \$950 million affordable housing bond
- Measure B - a County-wide 1/2-cent tax measure to fund transit improvements, such as BART to San Jose
- Measure G – an expansion/increase in the business tax

Of all the taxes proposed, only Measure V – another affordable housing bond on top of Measure A, most of which remains unspent – was defeated.

In addition, education-related bonds were approved and we are paying more to register our vehicles and more in gas taxes, since the legislature approved SB1 and the attempt to repeal SB1, Proposition 6, was defeated last year.

On top of the new or increased taxes, residents approved Propositions 1 and 2 – state-wide measures that provide funds to build housing.

Just can't get enough?

State, county, and local governments are in the best of times¹, bringing in record revenues, and yet some claim we still don't have enough resources. I don't believe that we have a resource issue – we need to make more effective use of the dollars we have.

State Propositions 1 and 2 providing several million dollars for housing on top of the majority of County-wide Measure A money we have yet to spend. Corporate donors have also stepped up to provide resources:

- Apple's commitment of \$2.5 billion dollars to battle the housing crisis
<https://www.apple.com/newsroom/2019/11/apple-commits-two-point-five-billion-to-combat-housing-crisis-in-california/>
- Google's commitment of \$1.0 billion dollars <https://www.wsj.com/articles/google-makes-housing-commitment-valued-at-1-billion-11560886992>
- Facebook's commitment of \$1.0 billion dollars
<https://about.fb.com/news/2019/10/facebook-commits-1-billion-to-address-housing-affordability/>

With these corporate commitments, there is over \$5.5 billion dollars dedicated to help with the housing crisis in this area.

But even with plenty of money committed, the key to getting new housing constructed is finding the locations to build the housing. For several years, the county promised an evaluation of

¹ <https://www.sacbee.com/news/politics-government/capitol-alert/article232908867.html>,
<https://www.sanjoseinside.com/2018/07/03/santa-clara-countys-property-tax-roll-hits-record-483-billion/>,
<https://www.sanjoseca.gov/DocumentCenter/View/86432>

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possible locations for housing, and while they recently funded projects on City-owned parcels to house low-and-moderate-income people and the unhoused, using Measure A dollars, we await the plans for the county's locations.

Yet more taxes on tap?

In addition to the Transfer Tax that polls positively with voters, there are several more taxes in the pipeline for 2020, including:

- The City is studying and may be proposing a new Commercial Impact Fee on new business development in San José to raise money for affordable housing.
- Changing California's Proposition 13 to increase taxes on businesses, making less money available for those businesses to hire new people, provide workers with raises to keep up with our rising Bay Area cost of living, and remain competitive
- Increasing the sales tax across the region to fund more transit projects.
- Increasing the Estate Tax and Corporate Income Taxes – among a variety of new tax proposals in the California legislature.

When you begin adding up all of the existing and new taxes, the financial burden on California residents are growing, yet the residents see relatively few improvements.

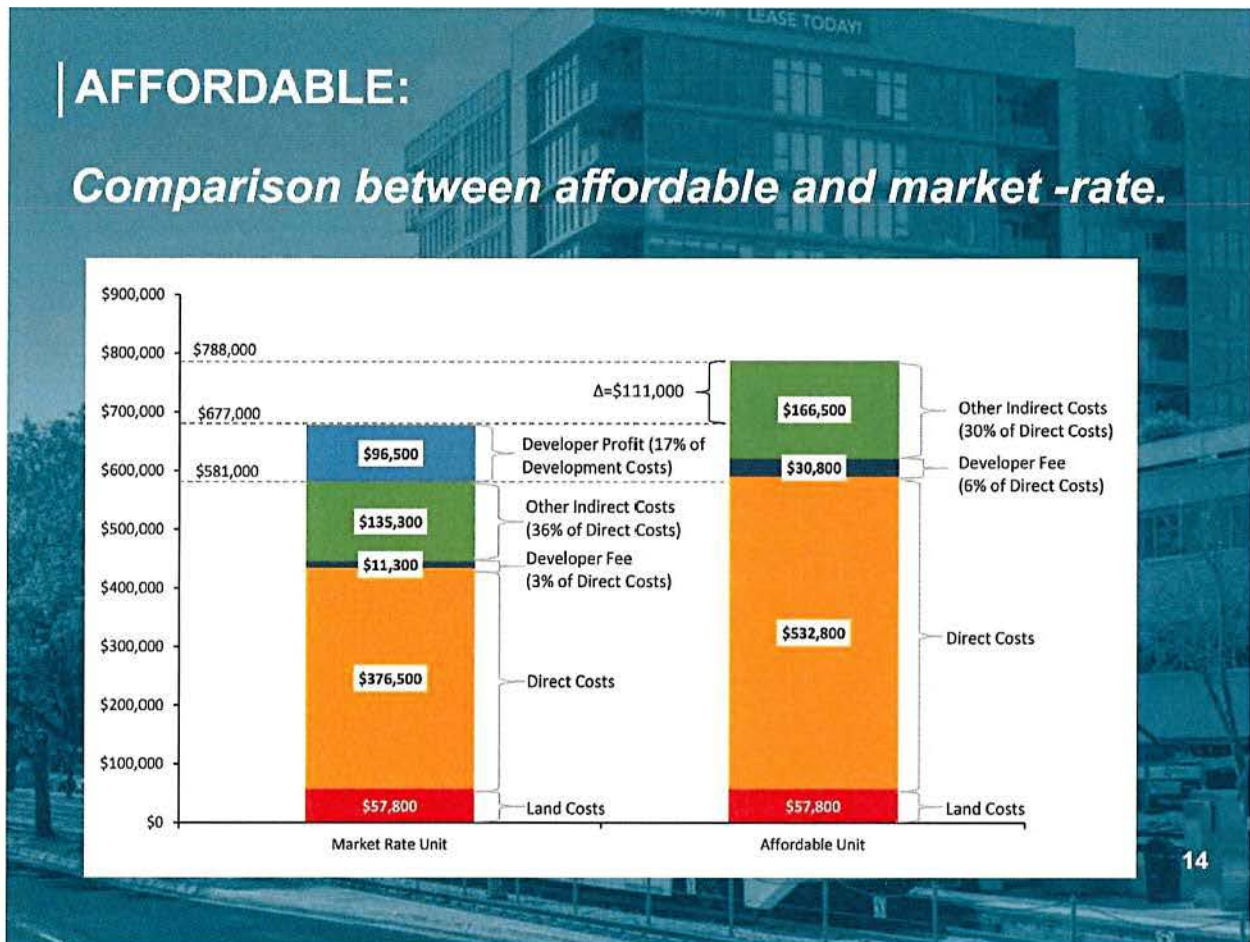
Who is responsible?

The County has the primary responsibility for providing human services, yet more of the costs of human services are being absorbed by the City's budget. A new City tax to pay for human service responsibilities will further absolve the County of its primary responsibility for human services and require the City to spend more resources that would otherwise be spent on streets, parks and trails maintenance, and the many other services that are the primary responsibility of the City.

Next to our schools, the County government receives the largest share of property tax dollars to provide essential human services throughout Santa Clara County – including services to the mentally ill, the drug addicted, and others who are ill, the indigent and unhoused, and more. It's important that the County spend taxpayer dollars responsibly and make them go as far as possible.

For example, the County passed up a gift of \$20 million to help defray the costs of converting the former City Hall Annex to housing for the unhoused. They will now spend more money than they otherwise would have and house fewer people by constructing a new facility from the ground up. It's important for the County and the City to carry out their respective responsibilities – something the polling failed to highlight - in a cost-effective manner for the maximum benefit to our residents.

For an example of ways we can tackle the housing crisis without raising taxes, we could start by bringing down the high cost of affordable housing developments:



Source: 11/05/19 staff presentation

If we took steps to control costs, we could get up to 16% more units for the same dollars and a new tax would not be necessary.

Conclusion

Let's identify the land and projects we need and use the substantial public and private resources already at our disposal to build more housing before we go back to the well. This tax, while it may not seem egregious on its own, will hinder property sales, make transactions more expensive, and add to the housing crisis. I encourage my colleagues to support my memo to forego asking the voters to impose new taxes during the 2020 election cycle.