

## Detailed Strategies

### Tier 1 Strategies

#### 1. Increase Real Property Transfer Tax (RPTT)

STRATEGY TYPE: Revenue Enhancement

##### IMPACT ESTIMATE

In Hayward, the FY 2018 adopted RPTT revenue is \$7,154,000. Estimated annual impact of increasing tax rate from \$4.50 per \$1,000 property value:

- To \$7 per \$1,000: \$3,974,444
- To \$8 per \$1,000: \$5,564,222
- To \$10 per \$1,000: \$8,743,778
- To \$12 per \$1,000: \$11,923,334
- To \$15 per \$1,000: \$16,692,667

##### FEASIBILITY

Implementing adjustments to RPTT would require additional analysis and possibly polling, Council approval, and an affirmative vote by the electorate. This strategy can be targeted for the ballot in November 2018 to be effective for the FY 2020 fiscal year. Because Hayward's RPTT rate is below that of several neighboring cities, and the fact that it could generate substantial new revenue for the City, this is considered an important anchor strategy.

##### BACKGROUND

The vast majority of California cities levy a real property transfer tax of \$0.55 per \$1,000 in property valuation. This is because most cities are general law and limited to this rate by state law, and most charter cities have not elected to propose a higher rate. Only 26 cities in California levy a rate of greater than \$0.55 per \$1,000. The rates vary from \$1.10 to \$15.00 per \$1,000. Two cities (San Mateo and San Francisco) levy the tax as a percentage of valuation.

The Bay area, and particularly Alameda County, is an exception to this general landscape. In Alameda County, all eight of the charter cities (out of 14) levy a rate ranging from a low of \$4.50 (Hayward) to \$15.00 (Oakland and Berkeley), as shown in Table 4. In no other county in the state is this revenue source so common.



## Tier 1 Strategies

Table 4. RPTT Rate for Cities in Alameda County

| City           | Per \$1,000 Property Value City Rate | General Law or Charter City |
|----------------|--------------------------------------|-----------------------------|
| 1. Berkeley    | \$15.00                              | Charter                     |
| 2. Oakland     | \$15.00                              | Charter                     |
| 3. Piedmont    | \$13.00                              | Charter                     |
| 4. Alameda     | \$12.00                              | Charter                     |
| 5. Emeryville  | \$12.00                              | Charter                     |
| 6. Albany      | \$11.50                              | Charter                     |
| 7. San Leandro | \$6.00                               | Charter                     |
| 8. Hayward     | \$4.50                               | Charter                     |
| 9. Dublin      | \$0.55                               | General Law                 |
| 10. Fremont    | \$0.55                               | General Law                 |
| 11. Livermore  | \$0.55                               | General Law                 |
| 12. Newark     | \$0.55                               | General Law                 |
| 13. Pleasanton | \$0.55                               | General Law                 |
| 14. Union City | \$0.55                               | General Law                 |

Source: As reported by the California Local Government Finance Almanac

Based on FY 2015 actual financial data, Hayward's per capita RPTT ranks 7 of the 16 Bay Area cities with populations greater than 100,000, as shown in Table 5.

Table 5. RPTT Revenue per Capita for Bay Area Cities with Population Greater Than 100,000

| City             | County        | FY 2015 RPTT Per Capita | Per \$1,000 Property Value City Rate | General Law or Charter City |
|------------------|---------------|-------------------------|--------------------------------------|-----------------------------|
| 1. San Francisco | San Francisco | \$372.05                | See Note <sup>1</sup>                | Charter                     |
| 2. Oakland       | Alameda       | \$152.72                | \$15.00                              | Charter                     |
| 3. Berkeley      | Alameda       | \$114.66                | \$15.00                              | Charter                     |
| 4. San Mateo     | San Mateo     | \$104.87                | 0.5% of value                        | Charter                     |
| 5. Richmond      | Contra Costa  | \$44.89                 | \$7.00                               | Charter                     |
| 6. San Jose      | Santa Clara   | \$40.82                 | \$3.30                               | Charter                     |
| 7. Hayward       | Alameda       | \$37.35                 | \$4.50                               | Charter                     |
| 8. Santa Rosa    | Sonoma        | \$17.14                 | \$2.00                               | Charter                     |
| 9. Vallejo       | Solano        | \$15.07                 | \$3.30                               | Charter                     |
| 10. Sunnyvale    | Santa Clara   | \$11.92                 | \$0.55                               | Charter                     |
| 11. Santa Clara  | Santa Clara   | \$11.85                 | \$0.55                               | Charter                     |
| 12. Fremont      | Alameda       | \$7.76                  | \$0.55                               | General Law                 |
| 13. Concord      | Contra Costa  | \$4.38                  | \$0.55                               | General Law                 |



Tier 1 Strategies

| City          | County       | FY 2015 RPTT Per Capita | Per \$1,000 Property Value City Rate | General Law or Charter City |
|---------------|--------------|-------------------------|--------------------------------------|-----------------------------|
| 14. Fairfield | Solano       | \$3.69                  | \$0.55                               | General Law                 |
| 15. Antioch   | Contra Costa | \$3.52                  | \$0.55                               | General Law                 |
| 16. Daly City | San Mateo    | \$3.13                  | \$0.55                               | General Law                 |

Source: As reported by the California Local Government Finance Almanac

<sup>1</sup>Note for the City of San Francisco:

- Over \$100,000 AV => 0.5%,
- Over \$250,000 AV => 0.68%
- Over \$1 million AV => 0.75%,
- Over \$5 million AV => 2.25%
- Over \$10 million AV => 2.75%,
- Over \$25 million => 3.00%
- Discounts for certain solar and seismic improvements

This revenue source can be controversial. The real estate industry is typically strongly opposed. There are only five measures that made it on the ballot in the last ten years in California, and only two have passed (as outlined in Table 6 below).

Table 6. RPTT Measures on California Ballots in the last 10 Years

| Passed  | Failed   |
|---|--|
| <ol style="list-style-type: none"> <li>1. <b>Emeryville (November 2014):</b> To set a real property transfer tax for the first time.</li> <li>2. <b>San Francisco (November 2016):</b> Increased the tax on the sale of houses and property from 2% to 2.25% for properties sold for between \$5 million to \$10 million, from 2.5% to 2.75% for properties sold for between \$10 million to \$25 million, and from 2.5% to 3% for properties sold for \$25 million or more.</li> </ol> | <ol style="list-style-type: none"> <li>1. <b>Richmond (November 2016):</b> Failed - increasing the city's real estate transfer tax from 0.7% to 1% for property sold for less than \$400,000 and 1.5% for property sold for \$400,000 or more.</li> <li>2. <b>Santa Monica (November 2014):</b> Amended the real estate transfer tax, so, for real estate sold for \$1 million dollars or more, the tax rate would have been \$9.00 per each \$1,000 of the sales price (increase from \$3.00)</li> <li>3. <b>San Francisco (November 2014):</b> Imposed an additional tax on the sale or transfer of multi-unit property that has been owned for less than five years.</li> </ol> |



#### 4. Increase Transient Occupancy Tax (TOT)

STRATEGY TYPE: Revenue Enhancement

##### IMPACT ESTIMATE

In Hayward, the FY 2018 adopted TOT is \$2.0 million, the lowest in the area. Estimated impact of increasing the TOT rate is shown below.

- 10%: \$359,294 (e.g., San Jose, Fremont, Concord, Richmond)
- 11%: \$598,824 (e.g., Vallejo)
- 12%: \$838,353 (e.g., San Mateo, Berkeley)
- 13%: \$1,077,882
- 14%: \$1,317,412 (e.g., San Francisco, Oakland)

##### FEASIBILITY

Implementing adjustments to the transient occupancy tax would require additional analysis, Council approval, and an affirmative vote by the electorate. This strategy can be targeted for the ballot in November 2020 or November 2022 depending on the City's decision about timing.

##### BACKGROUND

Based on FY 2015 actual financial data, Hayward's per capita transient occupancy tax rate is the lowest of the 16 Bay Area cities with populations greater than 100,000, at 8.5%. Hayward ranks 12 out of 16 for per capita TOT revenue. This information is shown in Table 10.

Table 10. TOT Rate and Revenue per Capita for Bay Area Cities with Population Greater Than 100,000

| City             | County        | FY 2015 TOT Per Capita | TOT Rate |
|------------------|---------------|------------------------|----------|
| 1. San Francisco | San Francisco | \$425.98               | 14.0%    |
| 2. Santa Clara   | Santa Clara   | \$150.33               | 9.5%     |
| 3. Sunnyvale     | Santa Clara   | \$95.50                | 10.5%    |
| 4. San Mateo     | San Mateo     | \$78.95                | 12.0%    |
| 5. Berkeley      | Alameda       | \$60.36                | 12.0%    |
| 6. Oakland       | Alameda       | \$52.26                | 14.0%    |
| 7. Fairfield     | Solano        | \$36.30                | 10.0%    |
| 8. San Jose      | Santa Clara   | \$36.08                | 10.0%    |
| 9. Fremont       | Alameda       | \$31.70                | 10.0%    |
| 10. Santa Rosa   | Sonoma        | \$30.09                | 9.0%     |
| 11. Concord      | Contra Costa  | \$20.78                | 10.0%    |
| 12. Hayward      | Alameda       | \$16.50                | 8.5%     |
| 13. Vallejo      | Solano        | \$15.68                | 11.0%    |
| 14. Richmond     | Contra Costa  | \$9.77                 | 10.0%    |
| 15. Daly City    | San Mateo     | \$8.94                 | 10.0%    |
| 16. Antioch      | Contra Costa  | \$1.38                 | 10.0%    |

Source: As reported by the California Local Government Finance Almanac

