



PUBLIC HEARING NUMBER 1
CITY CHARTER &
COMMERCIAL REAL
PROPERTY TRANSFER TAX

SPECIAL CITY COUNCIL MEETING

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June 7, 2022



Objective

- ❖ Background
- ❖ Recap
 - ❖ Establishing a Charter City
 - ❖ Definition of “Commercial Property”
 - ❖ Tax Exempt Options
 - ❖ Potential Transfer Tax Rates
- ❖ Discussion Points for Establishing a Charter
- ❖ Timeline
- ❖ Council Discussion and Action to Place Charter City on November 2022 Ballot



Background

➤ October 26, 2021

- Council directed staff to research and provide options for several potential measures on the November 2022 ballot

Including...

- *Establishment of a City Charter and a Commercial Property Transfer Tax as a combined measure*



Establishing a City Charter

- General law vs. charter cities: what are the differences?
 - Only charter cities can impose a real property transfer tax
 - Other differences
- City Council can draft charter
 - Requires two public hearings and vote of the people at statewide general election; majority vote required to adopt
 - On March 29, 2022, the City Council directed staff to develop “simple” charter with integrated commercial real property transfer tax



Establishing a City Charter

- Features of a commercial real property transfer tax
 - Paid only upon sale of property
 - Can be negotiated between buyer and seller
 - Key issues for discussion:
 - Definition of “commercial”
 - Residential property exclusions?
 - Exemption for transactions under a specific dollar amount?



Definition of “Commercial Property”

- Types of “Commercial Property”
 - Commercial Property (office building, hotel, retail structure, etc.)
 - Industrial Property (warehouses, manufacturing building, etc.)
 - Commercial Residential/Multifamily Housing Complex (rental)
 - Planned Unit Development by Residential Developers
 - Vacant Land

- Definition Used for Tax Simulation Analysis by Staff
 - Commercial Property (office building, hotel, retail structure, etc.)
 - Industrial Property (warehouses, manufacturing building, etc.)
 - Commercial Residential/Multifamily Housing of 5 units or greater
 - Planned Unit Development by Residential Developers
 - Vacant Land



Tax Exemption

- Staff recommends standard exemptions apply...
 - Gift deed
 - Dissolution of Marriage
 - Certain Trust Transfers
 - Certain Court Ordered Conveyances
 - Conveyance which confirms a Name Change
 - Changes in the method of holding title
 - Certain Leases and Assignments of Leases
 - Deed to a Public Entity.
 - Conveyance made in lieu of foreclosure



Potential Transfer Tax Rates

- Property Transfer Tax Simulation Analysis conducted
 - Includes 21 Bay Area cities that have a transfer tax
 - Estimated revenue San Bruno would have received in each of the prior 5 years based on actual sale transactions in San Bruno
 - *Depending on the rate average annual tax revenue would have been \$61,000 to \$2.7 million over the last 5 years.*
 - Tax Rates in 21 Cities Surveyed
 - Various tax structures (simple % and tiered based on sales price)
 - Simple %: Ranged from .055% to 1.3%



Recommended Transfer Tax Rates

- Staff recommends a 1% tax rate

- Structure:
 - Residential: only applies to 5-plexes and above (meaning all single-family homes through 4-plex buildings are exempt)
 - Commercial and all other property types: All properties pay 1%

- Estimated Annual Revenue
 - \$1,000,000 *annually*
 - *Commercial Residential (5-plex+) = \$294,000 annually*
 - *Other Commercial Property Types = \$785,000 annually*



Discussion Points for Establishing a Charter

❖ Contents of Proposed Charter:

■ General Provisions -

- Generally provides that the City will follow California law in all areas except those stated in the charter
- Authorize the City to implement a commercial real property transfer tax if approved by the voters

■ Prevailing Wage -

- Include provision in the charter confirming that the City will continue to require payment of prevailing wage per the state law applicable to general law cities

■ Details and Structure of Commercial Real Property Transfer Tax, Commercial Defined as -

- Commercial Property (office building, hotel, retail structure, etc.)
- Industrial Property (warehouses, manufacturing building, etc.)
- Commercial Residential/Multifamily Housing Dwelling of 5 units or greater
- Planned Unit Development by Residential Developers
- Vacant Land



Timeline

- ❖ 2 Required Public Hearings
 - ❖ 1st Hearing this Evening
 - ❖ 2nd Hearing Scheduled for June 28
 - ❖ 30 days must elapse between the 2nd public hearing and the Council's decision
- ❖ City Council will need to schedule a special meeting on **August 3** for final authorization of ballot measures
 - ❖ Deadline for submitting ballot measures for the November 8 election is August 12



Council Discussion and Action

- ❖ City Council Provide Direction for a Proposed Charter Measure to the San Bruno Voters at the November 2022 Election
 - ❖ Include an Integral Commercial Real Property Transfer Tax