

CITY AUDITOR'S IMPARTIAL FINANCIAL ANALYSIS OF MEASURE H

Summary

Measure H amends Municipal Code section 4.20, which governs the real property transfer tax (RPTT), to apply the City's RPTT rate of 1.5% to transfers of real property in Oakland that occur when there is a change in the ownership or control of a legal entity, by merger, consolidation or acquisition. The RPTT rate will not change under the proposed amendment.

Oakland's existing RPTT imposes a 1.5% real property transfer tax on all transfers by deeds, instruments, writings, or any other document by which interests in real property located within Oakland are granted, assigned, conveyed or transferred (Oakland Municipal Code section 4.20.020).

In addition to the application of the RPTT, the proposed amendment:

1. Removes the current requirement of conformity to statewide rules (2nd paragraph of section 4.20.020).
2. Adds definition of "person" and "persons" to the tax.

The ordinance will only be effective if Measure H is approved by the majority of the voters. If approved, the measure will go into effect ten (10) days after the vote is declared by the City Council.

Financial Impact

City staff estimates that from FY 2003 to FY 2007, approximately \$19.2 million in RPTT revenues from at least 92 Oakland properties was not realized. The amounts not collected were due to current ordinance restrictions that exclude an imposition of the RPTT on transfers of real estate resulting from changes in the ownership or control of a legal entity, by merger, consolidation, or acquisition.

If the voters approve Measure H, City staff state that the City will experience an increase in RPTT revenue. However, RPTT is sensitive to changes in overall economic conditions. Therefore, the exact amount of increased revenue cannot be determined because of the unpredictable nature of the transactions and uncertainties in the

economy. Based solely on average annual historical data, \$4.4 million in additional RPTT revenue per fiscal year is estimated.

All additional revenue received from RPTT will be deposited in the general fund of the City to be expended for general fund purposes.

Based on our analysis of the data provided by City Staff, the assumed increase in revenue appears reasonable. We relied on the best data available at this time, however actual results may vary from our estimates.

s/COURTNEY A. RUBY, CPA
City Auditor