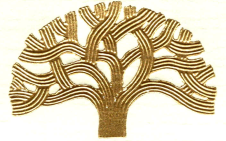


CITY OF OAKLAND



CITY HALL • ONE FRANK H. OGAWA PLAZA, 4TH FLOOR • OAKLAND, CALIFORNIA 94612

Office of the City Auditor
Brenda D. Roberts, CPA, CFE, CIA
City Auditor

(510) 238-3378
FAX (510) 238-7640
TDD (510) 238-3254
www.oaklandauditor.com

August 07, 2018

LaTonda Simmons, City Clerk
1 Frank H. Ogawa Plaza
Oakland, CA 94612

RE: Financial Analysis of the Vacant Property Tax Measure for November 2018 Ballot

Dear City Clerk:

I am pleased to submit an impartial analysis of the *Vacant Property Tax Act Measure*, which proposes to add a new Chapter to the Oakland Municipal Code, creating a special annual tax on vacant parcels for twenty (20) years on the November 2018 ballot.

The Office of the City Auditor prepared this analysis in accordance with Municipal Code Section 3.08.210, which requires the Office prepare an impartial financial analysis of each measure qualifying for ballot placement.

If you have any questions, please contact Carlos Hickerson, Assistant City Auditor at 510-238-7609.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brenda D. Roberts", with a long horizontal flourish extending to the right.

Brenda D. Roberts
City Auditor

Summary

This Measure, if adopted by two-thirds of voters, authorizes the City of Oakland to collect an annual tax on vacant properties for twenty (20) years. The purpose of the Measure is to raise revenue primarily for homelessness services, preserve existing and fund new affordable housing options, and illegal dumping remediation. The tax would go into effect ten (10) days after the vote is declared by Oakland City Council, and be imposed no sooner than fiscal year 2020-21 for parcels vacant in the previous calendar year.

The revenue generated from this tax would be designated to a restricted fund to be used primarily for homeless services and for operations costs of the Commission on Homelessness, which would provide oversight for use of Measure revenue and specified tax administration costs. At least twenty-five percent (25%) of the revenue would be used to address blight and illegal dumping.

The Measure requires the City to maintain General Purpose Fund spending on illegal dumping remediation at least at the 2016-17 fiscal year level in order to collect the tax. In that year, the City's budget did not include any appropriations in the General Purpose Fund toward illegal dumping.

Proposed Measure tax rates vary by property type as shown below:

Property Type	Proposed Measure Tax Rate
Residential, or Nonresidential, or Undeveloped	\$6,000 per vacant parcel
Condominium, duplex, or townhouse unit under separate ownership	\$3,000 per vacant residential unit
Parcel with ground floor commercial activity allowed, but vacant	\$3,000 per vacant parcel

Property owners can request an exemption from this tax under certain circumstances including, but not limited to, income, age, disability and work in progress on the property.

At any time, the City Council may lower, but not increase the rates, and it may adopt new exemption categories, which may reduce anticipated City revenue.

Other Programs

Current spending on homelessness, affordable and transitional housing, infrastructure repairs, and illegal dumping is funded from various sources, including but not limited to, Measure KK (approximately \$35 million annually), General Fund (approximately \$4.6 million annually), state funds, and one-time expenditures the City makes.

Financial Impact

Based on factors such as property owner exemptions estimated to range from 60% to 75%, the City of Oakland Finance Department estimates annual revenue between \$6.6 and \$10.6 million.

Tax collection expenses specifically related to tax collection are capped at 15% of revenues collected.

The City's Finance Department estimates the annual cost to administer this Measure would be approximately \$452,000, dedicated to staffing positions to support the Commission, tax administration, collection and enforcement fees. In addition, they estimate a one-time startup cost of \$100,000 for financial database infrastructure, web development and mailing services.

Disclaimer

The Office of the City Auditor has not audited and, as such, has not validated the City of Oakland Finance Department's financial and statistical analysis of this Measure. References to this data in our independent analysis represent the best data available at this time.