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Office of the City Auditor
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August 07, 2018

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

RE: Financial Analysis of the Real Estate Transfer Tax Tiered Rates Measure for
November 2018 Ballot

Dear City Clerk:

I am pleased to submit an impartial analysis of the *Real Estate Transfer Tax Tiered Rates Measure*, which proposes to amend Oakland Municipal Code Chapter 4.20 and establish tiered transfer tax rates based on value of consideration 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".

Brenda D. Roberts
City Auditor

Summary

This Measure, if adopted by majority vote (more than 50%), authorizes the City of Oakland to create a tiered Real Estate Transfer Tax rate by decreasing the tax rate for lower priced real estate transfers and increasing the rate for higher priced ones. The tax would continue to be collected annually to raise unrestricted general purpose fund revenue. It would become effective on January 1, 2019.

The City of Oakland assesses a Real Estate Transfer Tax on all Oakland real estate sold or transferred.

Oakland's current Real Estate Transfer Tax is 1.5%, regardless of the value of the property being sold or transferred. The proposed graduated tax rates, presented in real estate transfer tiers, are compared to the current rate below.

Real Estate Transfer Tiers	Current Tax Rate	Proposed Measure Tax Rate
\$300,000 or less	1.5%	1%
More than \$300,000 up to \$2,000,000	1.5%	1.5%
More than \$2,000,000 up to \$5,000,000	1.5%	1.75%
More than \$5,000,000	1.5%	2.5%

Exemptions / Exceptions

- Low and moderate income first-time homebuyers would receive a tax rate reduction of 0.5% for real estate transfers valued at \$2 million or less.
- No tax rate increase for non-profit, affordable-housing providers. The maximum rate would be 1.5%, regardless of the value of the property at the time of sale or transfer.
- Seismic and solar upgrades by low and moderate income homebuyers may be eligible for reimbursements up to one third of the transfer tax paid.

It is unlikely these exemptions would have a significant impact on future tax revenue.

Financial Impact

Real estate taxes are a volatile revenue source and estimates based on prior years' activity may not be predictive of future revenues.

When applying the proposed transfer tax rates to the past six years' real estate transactions, the City estimates revenue potentially increasing between \$1.7 million and \$17 million per year.

The City anticipates approximately \$181,000 in annual staffing costs for tax administration and collection.

Beginning in January 2024, and no more than once every five years thereafter, City Council may increase the \$300,000 threshold between the first and second tax rate tiers, and the \$2,000,000 threshold between the second and third tax rate tiers by an amount equal to or less than the increase to the Consumer Price Index, with thresholds capped at \$500,000 and \$3,500,000.

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 that supports this measure. References to this data in our independent analysis represent the best data available at this time.