



IDEAS + ACTION FOR A BETTER CITY

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Oakland and California November 2018 Voter Guide

Ballot analysis and recommendations

<p>PROP</p> <p>Affordable and Veterans' Housing Bond</p> <p>VOTE YES ✓</p>	<p>PROP</p> <p>Funds for Supportive Housing</p> <p>VOTE YES ✓</p>	<p>PROP</p> <p>Water Bond</p> <p>VOTE YES ✓</p>	<p>PROP</p> <p>Gas Tax Repeal</p> <p>VOTE NO ✗</p>	<p>PROP</p> <p>Repeal of Rent Control Rules</p> <p>VOTE NO ✗</p>
<p>MEASURE</p> <p>Vacant Property Tax</p> <p>VOTE NO ✗</p>	<p>MEASURE</p> <p>Tiered Transfer Tax</p> <p>VOTE YES ✓</p>			

SPUR provides analysis and recommendations on state and local ballot measures for the November 6, 2018, Oakland election.

For Oakland local measures, SPUR's Oakland Board of Directors reviewed and debated the merits of select local measures and voted, with a 60 percent vote required for SPUR to make a recommendation.

For California state propositions, SPUR's regional decision-making body, the SPUR Executive Board, reviewed and debated the merits of select state measures and voted, with a 60 percent vote required for SPUR to make a recommendation.

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Prop 1

Affordable and Veterans' Housing Bond

BOND

Authorizes Bonds to Fund Housing

Authorizes the state to issue \$4 billion in general obligation bonds to support affordable housing.

Vote YES



What the Measure Would Do

California Proposition 1 would authorize the state to issue \$4 billion in general obligation bonds to support affordable housing. Under this measure, \$3 billion of the bonds would go to fund existing state affordable housing programs, and \$1 billion would go to an existing program that assists veterans with purchasing farms, homes and mobile homes.

The funds would be distributed as follows:

- \$1.5 billion to the Multifamily Housing Program for the construction, rehabilitation and preservation of multifamily homes for households with incomes under 60 percent of their area median income
- \$150 million to the Transit-Oriented Development Implementation Program, which provides low-interest loans to high-density development near transit
- \$300 million to the Infill Incentive Grant Program, which funds new construction and rehabilitation of infrastructure that supports higher-density affordable and mixed-income housing in infill locations (empty or underused sites in existing neighborhoods)
- \$150 million to the California Housing Finance Agency's homebuyer assistance programs for low- and moderate-income homebuyers
- \$300 million to the Joe Serna, Jr. Farmworker Housing Grant Program to assist with the construction or rehabilitation of housing for agricultural employees and families
- \$300 million to the Local Housing Trust Matching Grant Program
- \$300 million to the CalHome Program to provide grants to local public agencies and nonprofit developers to assist multifamily homeownership projects through deferred-payment loans
- \$1 billion to the CalVet Home Loan Program, which provides loans to veterans for the purchase

of single-family homes, farms, units in cooperative developments and mobile homes

The Backstory

Prop. 1 takes Senate Bill 3 to the voters for approval. SB 3 was authored by Senator Jim Beall during the 2017–18 legislative session and enjoyed widespread support. This measure was a key funding component of the state housing package that was passed last fall. The bond was originally in the amount of \$3 billion, but negotiations among Democratic leaders at the last minute led to a \$1 billion increase to fund veterans' housing programs.

This state general obligation bond measure needs a simple majority (50 percent plus one vote) to pass.

Pros

- The state has an affordable housing crisis that cannot be addressed without significant public investments to bring down housing costs for low- and moderate-income households. This bond is one piece of the solution.
- The funding would be distributed through existing programs that have a successful track record of making housing more affordable for California residents.
- The Bay Area has one of the worst housing shortages in the state, and the multifamily, infill infrastructure and transit-oriented development programs funded by Prop. 1 are likely to benefit this region, among others.

Cons

- SPUR has not identified any points that we believe to be true cons of this measure.

SPUR's Recommendation

The scale of California's housing shortage and the vast need for affordable housing in particular are pressing issues today, and serious investment in the creation and preservation of affordable housing is urgently needed. This bond measure is one important way to make housing more affordable to residents across California, whether through new construction, preservation or homebuyer assistance. Funds would be distributed through programs that are already up and running and that prioritize affordable and environmentally sustainable housing for California's future.

Vote YES on CA Prop 1 - Affordable and Veterans' Housing Bond



Prop 2 Funds for Supportive Housing

STATUTE

Authorizes Bonds to Fund Existing Housing Program for Individuals With Mental Illness

Authorizes the state to issue \$2 billion in revenue bonds for the construction of permanent supportive housing for people living with severe mental illness who are homeless or are at risk of becoming homeless.

Vote YES



What the Measure Would Do

California Proposition 2 would ratify the provisions of an existing law, the No Place Like Home Act of 2016, and would issue \$2 billion in bonds to finance permanent supportive housing. In response to a lawsuit over the 2016 statute, this measure would confirm that California voters believe affordable housing is key to stabilization and recovery from mental illness. This measure would direct some funding from the Mental Health Services Fund to be spent on creating housing for individuals living with severe mental illness who are homeless or at risk of chronic homelessness.

If passed, Prop. 2 could be amended by a two-thirds vote of the state legislature as long as the amendments further the intent of this measure.

The Backstory

In 2004, the voters approved Prop. 63, the Mental Health Services Act, which created a 1 percent tax on incomes over \$1 million in order to fund county mental health programs.

In 2016, the legislature passed the No Place Like Home Act, which, among other things, dedicated \$2 billion from Prop. 63 toward the acquisition, design, construction, rehabilitation and preservation of permanent supportive housing for people suffering from mental illness.

Overwhelming evidence shows that stable permanent housing is a necessary foundation before anyone can resolve health issues, pursue personal goals or improve their quality of life.¹ Permanent supportive housing is highly effective at targeting the most vulnerable populations, including those suffering from mental illness. It includes wraparound supportive services that promote residents' recovery and maximize their independence.

While the No Place Like Home Act of 2016 successfully passed the state legislature two years ago, a lawsuit has held up the state's ability to issue these bonds or to direct Prop. 63 dollars toward the creation of housing. The lawsuit is being funded by two mental health advocates who argue that the voters intended for Prop. 63 funding to go to the treatment of people with severe mental illness, not to housing. They have also expressed concerns that this housing might serve people who do not suffer from mental illness.

The lawsuit is scheduled to be heard this year (it is unlikely to be resolved before the election), but in the meantime, the state legislature decided to put Prop. 2 on the November ballot to confirm the voters' agreement that the creation of housing for people with severe mental illness who are also homeless is in line with the intent of the Mental Health Services Act.

Apart from the plaintiffs in the lawsuit, there appears to be little opposition to this measure. The original legislative author of Prop. 63 supports Prop. 2.

This measure requires a simple majority (50 percent plus one vote) to pass.

Pros

- Prop. 2 would support the creation of supportive housing, which has been proven to help keep people with mental illness stably housed. The permanent supportive housing model includes both housing and services to residents.
- Prop. 2 would help address the state's homelessness challenges. More than 130,000 people are estimated to be experiencing homelessness in California, and many of them, especially those people who are considered to be chronically homeless, struggle with mental illness.
- The essence of Prop. 2 has already been passed by a majority of our elected state representatives.

Cons

- SPUR has not identified any points that we believe to be true cons of this measure.

SPUR's Recommendation

SPUR believes that part of the effective long-term treatment of people with mental illness is keeping them stably housed. By creating more permanent supportive housing, Prop. 2 would directly help the people originally intended to be served by the Mental Health Services Act. It would also aid in current efforts to address the statewide homelessness crisis.

Vote YES on CA Prop 2 - Funds for Supportive Housing



FOOTNOTES

¹ Stefan G. Kertesz, Travis P. Bagget, James J. O'Connell, David S. Buck and Margot B. Kushel, "Per-manent Supportive Housing for Homeless People – Reframing the Debate," *New England Journal of Medicine*, December 1, 2016.

Prop 3 Water Bond

BOND

Authorizes Bonds to Fund Water Supply Projects

Authorizes the state to issue \$8.9 billion in general obligation bonds for water supply, environmental and infrastructure investments.

Vote YES



What the Measure Would Do

California Proposition 3 would authorize the state to issue \$8.87 billion in general obligation bonds for water supply, conservation, infrastructure and environmental improvement projects all over the state. More specifically, it would fund safe drinking water, the implementation of the Sustainable Groundwater Management Act, watershed and wetland restoration, habitat conservation, urban and agricultural water conservation and stormwater management.

Prop. 3 would dedicate funding to numerous state agencies, including the California Natural Resources Agency, the Coastal Conservancy, the Department of Water Resources and the University of California. The state resources agency would be responsible for regular public reporting and independent audits.

The Backstory

Prop. 3 is intended to complement other state water and parks bond funds that have passed recently, including Prop. 68, which passed in June of this year, and Prop. 1, which passed in 2014. It would fund many elements of Governor Brown's 2013 Water Action Plan, which aims to increase the resiliency of California's water system and strengthen the ability of California communities to cope with drought conditions.

This measure was put on the ballot by a signature campaign. It was written and sponsored by the director of the Natural Heritage Institute's California Water Program (who was formerly the deputy secretary of the resources agency). Prop. 3's proponents had originally tried to get some of its biggest-ticket items — including safe drinking water, dam safety and fixing ground subsidence in the Central Valley — included in Prop. 68. But the legislature's negotiations around Prop. 68 resulted in a smaller bond dedicated partially to water infrastructure and partially to parks. Proponents then collected signatures to place this larger bond on the ballot.

As a state general obligation bond, this measure needs a simple majority (50 percent plus one vote) to pass.

Pros

- This measure would provide significant funding for water infrastructure and reliability in California at a time when the state is drought-stressed and when local governments need additional resources to support implementation of new policies like the 2014 Sustainable Groundwater Management Act.
- This measure would support better equity in California's water system by providing \$750 million for safe drinking water and wastewater treatment for disadvantaged communities and by waiving matching fund requirements in disadvantaged communities.
- This measure would accelerate restoration of the natural environment, such as wetlands in San Francisco Bay, to support ecological resilience to climate change. For example, Prop. 3 includes \$200 million for the Bay, complementing the \$500 million over 20 years raised through 2016's Measure AA, the nine-county parcel tax passed by voters in June 2016 for Bay restoration.
- This measure could increase California's available water supply by more than 1.5 million acre-feet, enough to supply 3 million homes, by investing in water conservation and recycling, watershed restoration and land management for water yield.

Cons

- This measure did not go through the normal legislative process and is not the byproduct of consensus among elected officials. Therefore, it may contain provisions that support special interests based on their involvement with the measure, rather than supporting the public interest.

- This is a very large bond that would add to the indebtedness of the General Fund by \$400 million

annually, which could result in other programs being cut to pay for this debt.

SPUR's Recommendation

Bonds are one of the main ways the state can invest in water infrastructure, and our recent drought has shown the need for significant investment. Although we just passed Prop. 68 earlier this year, these two measures are complementary and fund different aspects of the state's water needs. Prop. 3 would directly benefit the Bay Area through funding for water recycling, conservation and San Francisco Bay restoration — which is critically important to do now before sea levels rise or our next long-term drought settles in.

Vote YES on CA Prop 3 - Water Bond



Prop 6 Gas Tax Repeal

CONSTITUTIONAL AMENDMENT

Eliminates Road Repair and Transportation Funding

Repeals Senate Bill 1, the state transportation funding bill (commonly referred to as the “gas tax”), and requires voter approval for any future imposition, extension or increase in gas and car taxes.

Vote NO



What the Measure Would Do

California Proposition 6 would repeal Senate Bill 1, the 2017 transportation funding bill that raised gas taxes in order to pay for road repairs and transportation improvements. If this measure passes, SB 1's \$5 billion per year funding would cease at the end of the current fiscal year. Projects that haven't yet begun construction would have to be canceled, scaled down or delayed indefinitely. Prop. 6 would also require voter approval for any future imposition, extension or increase in gas and vehicle taxes. This means that not only would Prop. 6 eliminate funding for critical projects, it would make it dramatically more difficult to enact fuel and vehicle-related taxes, potentially resulting in less revenue for transportation infrastructure in the future. Some have called it the Prop. 13 of California transportation.

The Backstory

After nearly two years of debate, the California State Legislature passed SB 1 in April of 2017. SB 1 raised the gas tax by 12 cents per gallon, raised the diesel fuel tax by 20 cents per gallon, added a \$100 “road improvement fee” for zero-emission vehicles and raised annual registration fees on other vehicles by \$25 to \$175 depending on a vehicle's value. The gas taxes went into effect on November 1, 2017, and the registration fees on January 1, 2018; the fee for zero-emission vehicles and other vehicles will go into effect in July 2020.

SB 1 raises \$5.2 billion annually in perpetuity. The bill pegs its funding sources to the Consumer Price Index, which means its taxes and fees won't lose value every year. The vast majority of the funds — \$3.7 billion — are devoted to roadway maintenance and some “complete streets” improvements that will support active transportation projects. Public transit receives \$750 million of the annual total, and bicycle and pedestrian projects are also eligible for funding. So far, 6,000 projects throughout the state have received SB 1 funds.

Over the next 10 years, SB 1 is projected to provide more than \$3.5 billion in funding to cities and counties in the Bay Area. The BART extension to downtown San Jose, new hybrid diesel-electric buses for AC Transit, express bus routes along Highway 101 and a fare discount for low-income transit riders are all examples of projects at risk of being defunded if Prop. 6 passes and SB 1 is repealed.

Those opposed to SB 1 argue that the taxes and fees create hardships for working-class families and are unnecessary. Some opponents contend that the money raised could be diverted away from road repairs to non-transportation-related projects. However, in June 2018, California voters passed a constitutional amendment requiring SB 1 money — and all other fuel taxes — to be spent on transportation.

The repeal effort began within days after SB 1 passed the state legislature. Prop. 6 was proposed by members of California's Republican congressional delegation and by Republican gubernatorial candidate John Cox. Reportedly, the state Republican Party and the national Republican Party see Prop. 6 as a means to turn out Republican voters in the November election and limit Democratic efforts to gain congressional seats.

Governor Jerry Brown, the California Chamber of Commerce, California Professional Firefighters, the California Association of Highway Patrolmen, the League of Women Voters of California, the League of California Cities, cities, labor unions, environmental groups and many others oppose Prop. 6.

This state constitutional amendment needs a simple majority (50 percent plus one vote) to pass.

Pros

- If SB 1 is repealed, Californians would pay lower taxes and fewer fees. A family of four could expect to save more than \$500 a year.

Cons

- SB 1 was a monumental win for California and the Bay Area. The repeal would threaten road improvement and maintenance projects throughout the state. The Bay Area alone stands to lose \$3.6 billion should Prop. 6 pass.
- Two decades without a gas tax increase has created a \$130 billion backlog in necessary repairs and improvements. Repealing SB 1 would bring a halt to much-needed repairs to our crumbling roads and aging bridges.
- SB 1 gives cities a reliable funding stream for road maintenance. Repealing SB 1 would force cities once again to focus local and regional funding measures on

shoring up existing roads and transit instead of building a world-class regional transportation system.

- SB 1 will support nearly \$183 billion in increased economic activity and benefits for California residents. Prop. 6 would eliminate more than 68,000 well-paying jobs fixing our roads that otherwise would be created over the next decade. Nearly every aspect of the California economy relies on having usable roads.
- Requiring the legislature to obtain voter approval of new or increased vehicle-related taxes and fees would make it harder to raise revenues for transportation infrastructure than it's ever been. The impact on California's roads and transit services would be broad and long-lasting.

SPUR's Recommendation

SPUR has long advocated for a stable source of funding for transportation improvements, and we support funding transportation with transportation-related user fees. SB 1 achieved both of these aims. It was the culmination of years of compromise and dialogue among hundreds of different interests; it's a solution at the scale of thinking that actually solves problems. The state's roads and transit systems need to be in good shape to support the world's fifth-largest economy, control greenhouse gas emissions and maintain quality of life. SB 1 is an overdue investment in transportation. If Prop. 6 passes, there would be no other source of revenue on the horizon. Much like the effect of 1978's Prop. 13, the detrimental impacts of Prop. 6 could last for decades.

Vote NO on CA Prop 6 - Gas Tax Repeal



Prop 10

Repeal of Rent Control Rules

INITIATIVE STATUTE

Expands Local Authority to Enact Rent Control

Repeals the 1995 Costa-Hawkins Rental Housing Act, which placed restrictions on how rent control ordinances can be enacted at the local level.

Vote NO



What the Measure Would Do

California Proposition 10 would repeal the 1995 Costa-Hawkins Rental Housing Act,¹ a state law that restricts local rent control laws. Cities use rent control to regulate the rent, or the increases in rent, that landlords can charge. According to the Turner Center for Housing Innovation, 15 of California's 482 jurisdictions currently have some form of rent control, which covers 25 percent of the state's rental units.

California cities currently have the ability to pass rent control ordinances. The Costa-Hawkins Act restricts those laws in the following ways:

- Exempts from rent control all housing units built after February 1, 1995, as well as all single-family homes and all condominiums.
- For cities that had rent control ordinances when Costa-Hawkins passed, retains their existing exemption dates instead of 1995. For example, the only units in San Francisco and San Jose that can fall under rent control are those that were built prior to 1979, when those cities passed rent control ordinances; in Oakland, the threshold year is 1983.
- Prohibits cities from controlling rent levels upon turnover of a unit (known as "vacancy control"). When a tenant moves out of a rent-controlled unit, the city must allow the landlord to re-rent it at market rate.

Prop. 10 would remove these provisions from the state code and let cities impose any kind of rent control they choose.

In order to comply with previous state court rulings, Prop. 10 contains language that says cities and counties could not limit a landlord's right to a fair rate of return on property. What exactly this would mean in practice is not yet clear.

This measure could be amended by the state legislature with a two-thirds vote if the amendments further the purposes of Prop. 10. Reinstating any portion of Costa-

Hawkins would require going back to the voters for a majority vote.

The Backstory

The Costa-Hawkins Rental Housing Act was originally passed by the California State Legislature in 1995 in response to strong rent control ordinances that several cities (Berkeley, East Palo Alto, West Hollywood, Santa Monica and Cotati) passed in the 1980s. Municipalities can still pass local rent control laws under Costa-Hawkins; the 1995 law was intended to protect the production of housing by exempting new construction from rent control and to protect landlords' right to set rents upon the turnover of units. If not regulated, these factors can raise overall housing costs across a city. (See SPUR's Recommendation, below, for more on the relationship between rent control and overall housing costs.)

Tenant activists have wanted to repeal the Costa-Hawkins Act since it passed. There have been many attempts through the state legislature to amend or repeal the law over the years. Most recently, legislators in 2017 introduced Assembly Bill 1506, which would have repealed Costa-Hawkins. AB 1506 was not heard in 2017. While it did get a hearing in 2018, it did not pass out of committee. Tenant activists collected nearly 600,000 signatures to qualify Prop. 10 for the ballot instead.

There were several last-ditch attempts to negotiate compromises that would amend, rather than repeal, Costa-Hawkins through the state legislative process, but no agreement was reached.² Thus, Prop. 10 represents a full repeal.

This measure needs a simple majority (50 percent plus one vote) to pass.

Pros

- California’s affordable housing shortage is a pressing crisis and deserves immediate action. In cities that decide to impose or expand rent control ordinances, Prop. 10 would allow many more units to be rent-controlled, which could have immediate benefits for those tenants.

- Costa-Hawkins set an arbitrary and static threshold date for exemption from rent control. This means cities with rent control can only see their stock of rent-controlled units go down, never up, over time. Allowing cities to set rolling exemption dates could bring additional housing units under rent control after a carefully considered time past their construction.

Cons

- Allowing cities to apply rent control to new buildings could lead to a reduction in the amount of new rental housing produced in the future. Banks, pension funds

and other sources of investment to build housing could face a climate of uncertainty about future rents and policies, making it unlikely that they would choose to invest significant capital in building rental housing in California. (See SPUR’s Recommendation, below, for more.) It is important for the state to provide some parameters so that cities do not — inadvertently or otherwise — inhibit the construction of new rental housing. Costa-Hawkins may be imperfect, but it provides a few safeguards.

- Allowing vacancy control could increase the number of rental units that are converted to condos. A recent study estimates that rent control caused San Francisco rents to rise by 5.1 percent because many landlords, when faced with the financial limitations of rent control, chose to convert rental units to condos or other owner-occupied housing. Collectively, these individual choices removed 15 percent of the rental stock from the market between 1994 and 2012.³ The reduction in the rental housing stock drove up competition, increasing rents overall.

SPUR's Recommendation

California is experiencing an epic housing crisis, the likes of which the state has never seen. Particularly in coastal cities, we are seeing runaway rents and sale prices, more street homelessness and the displacement of low- and moderate-income people from their communities. Under these circumstances, measures that aim to stop the extraordinary run-up in rental housing prices are important ideas that deserve consideration. But unfortunately Prop. 10 has some very problematic unintended consequences that prevent SPUR from supporting it.

Rent control provides significant benefits to residents who live in rent-controlled units.⁴ In many cases, residents would not be able to remain in their home — or even in their city — if their rent went up to market-rate levels. In addition, by allowing households in rent-controlled units to remain in place, rent control provides greater community stability. However, rent control is an imperfect tool for stabilizing communities because it is not targeted to help low-income households or other disadvantaged populations; the people who benefit most are those who have been in their rental units the longest, not necessarily those who need the most help. Supporting means-based affordable housing programs would be more effective.

Beyond this concern, there are specific ways that Prop. 10 has the potential to exacerbate the very problem it seeks to solve:

Rent control makes housing cost more. Regulating it mitigates the problem.

Prop. 10 has widespread appeal because of its promise to stabilize rents. But unfortunately, removing all regulations on rent control is more likely in the long run to make housing more expensive than it already is.⁵

This is because:

1. With the exception of subsidized affordable housing, which relies on government funding and tax incentives, housing is developed in a market-economy environment. Housing production is highly dependent on capital financing because it costs so much to build, usually in the tens of millions of dollars for multi-unit projects. The institutions making decisions about whether or not to lend money to housing developers (banks, pension funds and other investors) consider whether they can reasonably expect to be paid back for their investment.

When housing units become rent-controlled, the amount of return that these investors can expect goes down because rents can't go up along with operating costs and other factors over time. Depending on the state of each cost variable (construction costs, permits, public benefit fees, etc.), a fixed rate of return may make housing development infeasible. In other words, it will cost more to build a unit than the builder and investor can receive in return. When that happens, less new rental housing gets built.

Further, if certain aspects of rent control laws are not regulated and can be changed at any time, this creates uncertainty for lenders. As a result, those lenders will be even less likely to lend money, and if they do, they will probably charge higher interest rates to mitigate their risk. This has two implications: It can stop housing from being produced, and it can make the resulting housing unit more expensive, because the increased financing cost makes it more expensive to build.

2. Landlords expect to make a return on their rental properties. When new laws cause units to become rent-controlled or limit the rent increase allowed on vacant units, landlords can either choose to take a lower rate of return or take their units off of the rental market by selling them as condos, allowing family members to move in or redeveloping the property. When rental units are taken out of the market, the remaining rental units become more expensive because there are fewer of them relative to all the people who want to rent them.

Unregulated rent control can be used to stop rental housing production altogether.

Because rent control can have the effect of stopping the production of rental units, there is a real risk that some cities could implement it as a way to limit the amount of new housing that is developed. Some cities have seen a similar effect with inclusionary housing, the requirement that developers provide a certain percentage of affordable units within market-rate housing developments. In some cases, the percentage has been set so high that many proposed projects are no longer viable, effectively stopping production of market-rate housing. There is speculation that this is exactly the effect some supporters of the high percentages intended.

The state plays an important role in facilitating housing production.

Many cities don't want to build housing because adding more residents leads to higher costs for providing services. One important revenue source for these services is property taxes, but Prop. 13, passed in 1978, caps property tax increases at 2 percent annually. Meanwhile, the cost to a city of providing services — police, fire, schools, libraries, streets, parks, social services, etc. — often increases at rates substantially above 2 percent per year. As a result, city officials, concerned that new residents can lead to budgetary strain, are sometimes disinclined to approve new housing. In addition, community pressure to keep cities looking and feeling the same as they do today leads some elected officials to oppose housing development that could result in changes to their communities.

Because of this dynamic at the local level, it's important for the state to play a role in facilitating housing development. If cities don't build housing, California's affordability crisis will simply intensify. While imperfect, Costa-Hawkins sets reasonable safeguards to ensure that local rent control rules do not inhibit the creation of new housing.

We are already seeing evidence of how this could play out at the local level: The Berkeley City Council has placed a measure on the November ballot that — if passed along with Prop. 10 — would limit rent increases even when a unit turns over to a new tenant and would allow rent control to be imposed on buildings when they are 20 years old. This could inhibit new construction since it can take longer than 20 years for investors to see their expected returns. If cities all over the state make such decisions, there could be a significant slowing in new construction and even greater competition for the existing housing stock across California.

Addressing housing affordability for everyone requires a different solution.

Today, 30 percent of California households are paying more than 30 percent of their incomes on housing. Rates of homelessness are increasing, and communities are experiencing intense displacement pressure. This is a crisis of immense proportion. We must act to make housing affordable, stabilize our communities and open our cities to residents of all backgrounds and economic means.

SPUR believes that the solution to housing affordability and community stabilization lies in both building massive amounts of new housing for people at all income levels and protecting tenants as we dig ourselves out of our housing shortage.

Unfortunately, the wholesale repeal of Costa-Hawkins would not improve our prospects. While there would undoubtedly be people who would benefit from an expansion of rent control, there would be many more who would be hurt by it. The biggest impact of this measure in the long run would be to exacerbate the housing shortage in California.

Vote NO on CA Prop 10 - Repeal of Rent Control Rules



FOOTNOTES

1 Sections 1954.50, 1954.51, 1954.52 and 1954.53 of Chapter 2.7 of Title 5 of Part 4 of Division 3 of the Civil Code are known as the Costa-Hawkins Rental Housing Act.

2 For examples of potential compromise ideas, see: Terner Center for Housing Innovation "Finding Common Ground on Rent Control: A Terner Center Policy Brief," 2018. Accessed at <http://ternercenter.berkeley.edu/finding-common-ground-rent-control>

3 Rebecca Diamond, Tim McQuade and Franklin Qian. "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco," Stanford University, 2017. Accessed at <https://www.gsb.stanford.edu/faculty-research/working-papers/effects-rent-control-expansion-tenants-landlords-inequality-evidence>

4 *Ibid*, page 3.

5 Dirk W. Early, "Rent Control, Rental Housing Supply, and the Distribution of Tenant Benefits," *Journal of Urban Economics* 48(2), 2000.

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Measure W

Vacant Property Tax

PARCEL TAX

A Special Parcel Tax on Vacant Properties

Taxes vacant lots and unoccupied condominiums to raise funds to combat homelessness and illegal dumping.

Vote NO



[Read Oakland City Councilmember Rebecca Kaplan's comments on Measure W >](#)

What the Measure Would Do

This proposed ordinance would establish an annual tax on vacant land and buildings. Vacant lots would be taxed at a maximum rate of \$6,000 per parcel and unoccupied condominiums would be taxed at a maximum rate of \$3,000 per parcel. Parcels that allow ground-floor commercial activity and have a vacant ground floor would also be taxed at \$3,000 per parcel. The ordinance authorizes the Oakland City Council to set the tax rates at amounts lower than the maximum rate without having to go back to the voters.

Vacancy is defined as a parcel of land or a condominium that is in use less than 50 days during a calendar year. A vacant parcel that is in use 50 days a year for a farmer's market or other weekly event would not be considered vacant.

City Council would need to pass implementing legislation to establish the method for identifying the use and vacancy status of each parcel. Owners of vacant properties would then be required to self-register their properties.

Parcel's owned by the following types of owners would be exempt from the tax:

- non-profit organizations
- public agencies
- very low-income owners
- low-income senior owners
- disabled owners
- owners for whom paying the tax would constitute a financial hardship
- owners who are unable develop their parcel due to a demonstrable hardship that is not financial
- owners who can't develop their property due to an exceptional circumstance, such as damage by a

natural disaster or other physical condition

- owners who have submitted a project for planning approvals or who have a project under active construction; owners with entitlement approvals who need more time to complete their project can apply for a two-year exemption

The city finance director would establish the procedures for granting exemptions. The City Council would have the authority to establish other exemptions as needed.

The city administrator's office estimates that the tax would generate between \$6.5 million and \$10.5 million annually,¹ although the ultimate amount of funding that the tax would generate cannot be known until the registry is established and the exemptions are processed.

A maximum of 15 percent of funds in any given year may be used to administer the tax. However, the full cost to the city of creating and administering the program must be covered. The city administrator estimates that one-time costs (including the creation of web portal needed to establish and maintain the registry) would be \$100,000. Ongoing administrative costs would be \$450,000 annually for the three new employees needed to implement this measure.

At least 85 percent of the funds would be used to create affordable housing, provide services to assist homeless individuals and those at risk of becoming homeless, and address illegal dumping. Allowable uses related to addressing homelessness could include job training, housing assistance, sanitation and cleaning services for homeless encampments, navigation centers and displacement prevention. Funding could also be used for code enforcement, the remedying of illegal dumping and the clean-up of blighted properties.

A nine-member Commission on Homelessness would be established to advise on the expenditure of funds.

The tax expires after 20 years.

The Backstory

Vacant land and blight have been a challenge for Oakland for many years. In 2012, the City Council voted to create a registry for vacant and foreclosed residential properties, which was then expanded to include defaulted properties as well as investor-purchased (REO or real estate owned) properties.

In 2014, the council directed staff to prepare a plan to create a registry of vacant lots and vacant ground-floor commercial storefronts.² The costs of developing such a registry were found to be prohibitively expensive given that state law limits the city's ability to charge a fee to cover these costs. As a result, a registry has not yet been created.

Several months ago, a councilmember revived the discussion by putting forward a proposal to tax vacant properties and to use the funds to address homelessness and illegal dumping. Estimates suggest that the revenue from the tax would be sufficient to cover the expense of creating and maintaining the registry and provide resources to combat homelessness and illegal dumping.

The Oakland City Council placed Measure W on the ballot. A two-thirds vote in support is required to pass the measure.

Pros

- This measure provides funds to address two very important issues facing Oakland right now: homelessness and illegal dumping. As of last year, homelessness in Alameda County increased 39 percent and impacted 5,629 people, roughly half of whom live in Oakland.³ Funds are needed to address this crisis.
- This measure is the best opportunity to date to establish a registry of vacant parcels. Having a registry would help the City of Oakland understand where these parcels are and why they are vacant, increasing its ability to make good land

use decisions in the future. Other legislative attempts over the years have been unsuccessful, largely due to the cost of establishing the registry. Only a tax will generate sufficient funds needed to establish and manage a registry.

- This measure has the potential to encourage property owners to develop their parcels and put them into active use. This is a policy goal that SPUR has supported in our report *A Downtown for Everyone* and elsewhere.
- Low-income and other vulnerable owners would not be unduly burdened by this tax because they would qualify for the exemptions outlined in the measure.

Cons

- This measure could be challenging to implement. The definition of vacancy as a parcel that is in use less than 50 days in during a calendar year begs the question of what "in use" means. It may be difficult for the city to monitor whether parcels are actually "in use" when owners claim they are.
- The exemptions called out in this measure are very broad and may be difficult for the city to apply fairly. Additionally, the exemptions are so broad that not many parcels may ultimately end up paying the tax.
- Because this is a flat tax for every parcel regardless of size or value, this measure would impact small property owners more than owners of larger properties. Small property owners may lack the expertise needed to navigate the development process, creating the unintended consequence of forcing small property owners to sell their properties.
- While this measure would generate funding for homelessness, it would not be nearly enough funding to effectively address the problem.

SPUR's Recommendation

There is a lot to like about Measure W. SPUR supports the concept of a vacant parcel tax, a tool that has been used in cities both around the country (Washington, D.C., Harrisburg, Pennsylvania⁴) and around the world (Seoul, Korea, Marikina City, Philippines⁵) to help move vacant land into active use and eliminate blight. Vacant parcel taxes, particularly in hot market cities, can help propel land owners to develop their properties. Some cities, such as Hartford, Connecticut,⁶ have experimented with raising taxes on vacant land while lowering them for new development. It makes sense for cities to tax the behavior they want to discourage (allowing parcels to remain vacant), while rewarding behavior they want to promote (building new housing, adding businesses).

However, we remain concerned about the city's ability to effectively implement this measure. The definition of what constitutes vacancy is very broad, and as such it may be difficult to determine when a parcel is "in use" or not. The exemptions are also very broadly defined, such as an owner being unable to develop a parcel due to a "demonstrable hardship that is not financial" or to an "exceptional circumstance." This vague language would make it very difficult for staff to implement the tax fairly. Lastly, we have concerns that this measure may have disproportionate impacts on small property owners because it is a flat tax.

Vote NO on OAK Measure W - Vacant Property Tax



FOOTNOTES

1 "Special Tax on Vacant Properties to Fund Affordable Housing and Support Programs for Homeless People," Katano Kasaine, Director of Finance, May 2, 2018.

2 "Informational Report on Vacant Property Registry", June 22, 2015. Heard in Community and Economic Development Committee on July 14, 2015.

3 <https://www.eastbaytimes.com/2017/06/02/survey-confirms-oakland-homeless-crisis-growing-worse/> and <https://www.kqed.org/news/11477036/alameda-countys-homeless-population-climbs-dramatically-over-two-years>, accessed on May 21, 2018.

4 "Progressive Taxation of Urban Land" <https://urban-regeneration.worldbank.org/node/38>; accessed on April 18, 2018

5 *Ibid.* This report notes that taxation of vacant land has also been used to deter land speculation.

6 "Can Extra Taxes on Vacant Land Cure City Blight?" <http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2017/03/07/can-extra-taxes-on-vacant-land-cure-city-blight>; accessed on April 18, 2018

Measure X Tiered Transfer Tax

REGULAR MEASURE

Amendment to the Real Property Transfer Tax to Establish Tiered Rates

Amends the Oakland property transfer tax to establish tiered rates based on the size of transaction; provides discounts to low- and moderate-income first-time homebuyers.

Vote YES



What the Measure Would Do

This measure would change Oakland's transfer tax rate from a flat tax of 1.5 percent to a graduated tax based on the size of the real estate transaction. The new tax rates would be as follows:

Amount of Transfer	Transfer Tax Rate
\$300,000 or less	1%
\$300,001 to \$2,000,000	1.5%
\$2,000,001 to \$5,000,000	1.75%
\$5,000,001 and above	2.5%

The measure would also allow for reductions in the transfer tax rates based on certain criteria. Low- and moderate-income first-time homebuyers would receive a .5 percent reduction in their rate. Low- and moderate-income first-time homebuyers who complete a seismic retrofit and/or install a solar energy system could reduce their transfer tax rate by the cost of these upgrades up to one third of the total amount of the tax.

Real estate transfer taxes are a volatile source of revenue, higher during real estate booms and lower during busts. An analysis by the city administrator of how revenue would differ under a tiered system versus a flat tax of 1.5 percent for the transactions between 2012 and 2018 shows that that revenues collected under the tiered system would have been higher than the flat tax in total for all those years except fiscal year 2011–2012.

Fiscal Year	Net Gain Under Tiered System Versus Flat Tax ¹
2011–2012	(\$997,565)

2012–2013	\$1,700,042
2013–2014	\$8,370,410
2014–2015	\$7,706,031
2015–2016	\$16,977,013
2016–2017	\$15,154,240
2017–2018 (through April)	\$5,803,831
TOTAL	\$54,714,001

The Backstory

Oakland is experiencing a chronic structural deficit. The sponsors of this measure note that while volatile, the current transfer tax has raised between \$30 million and \$89 million a year since fiscal year 2001–2002, a significant source of revenue for Oakland. They also note that San Francisco has a progressive transfer tax that generates significant revenue.

San Francisco Transfer Tax

Transaction Size	Rate	As Percentage
\$100-\$250,000	\$5.00 per \$1,000 of sales price	0.50%
\$250,001 - \$1,000,000	\$6.80 per \$1,000 of sales price	0.68%

\$1,000,001-\$5,000,000	\$7.50 per \$1,000 of sales price	0.75%
\$5,000,001-\$10,000,000	\$22.50 per \$1,000 of sales price	2.25%
\$10,000,001-\$25,000,000	\$27.50 per \$1,000 of sales price	2.75%
Above \$25,000,000	\$30.00 per \$1,000 of sales value	3.0%

However, should this measure pass, Oakland would have higher transfer tax rates than other jurisdictions in Alameda County.

City Transfer Taxes in Alameda County

City	Rate	As Percentage
Oakland	\$15.00 per \$1,000 of sales price	1.50%
Alameda	\$12.00 per \$1,000 of sales price	1.20%
Albany	\$11.50 per \$1,000 of sales price	1.15%
Berkeley	\$15.00 per \$1,000 of sales price	1.50%
Emeryville	\$12.00 per \$1,000 of sales price	1.20%
Hayward	\$4.50 per \$1,000 of sales price	0.45%
Piedmont	\$13.00 per \$1,000 of sales price	1.30%
San Leandro	\$6.00 per \$1,000 of sales price	0.60%

Alameda County Transfer Tax **\$1.10 per \$1,000 of sales price** **0.11%**

This measure was placed on the ballot by a 7–0 vote of the City Council. It requires a simple majority (50 percent plus one vote) to pass.

Pros

- A tiered transfer tax has the potential to raise a significant amount of funding for Oakland, capturing some of the benefit of higher value transactions while easing the burden on lower value transactions. This measure would add much-needed tax revenue to help address Oakland’s budget challenges.
- Transfer taxes are the least likely of any land tax to have a negative economic impact because they do not affect job creation or business attraction.² The sale price of property is directly related to the overall level of investment that society has made, and therefore it is appropriate for society to capture some of the upside when property values rise. This is particularly relevant in California, where property taxes don’t grow based on market conditions.
- This measure supports two important policy goals: increasing seismic safety and solar power use. No additional staff would be needed to process the exemptions and the refunds for seismic and/or solar work.³

Cons

- Very few people would be helped by the reduction in the transfer tax for transactions under \$300,000 because few properties sell for that little.
- While increasing the transfer tax itself is unlikely to have a negative impact on real estate development in Oakland, the city should be analyzing the overall impact of all the fees, taxes and requirement on development and should be mindful that at some point the combined requirements on new development could deter new construction.

SPUR's Recommendation

This measure has the potential to provide significant income to the City of Oakland while not negatively impacting the economy. Oakland's transfer tax has not been raised since 1993. While we have some concerns about ongoing increases to the overall set of taxes and fees on new construction, this measure itself is unlikely to have a negative impact on either new development or the economy as a whole.

Vote YES on OAK Measure X - Tiered Transfer Tax



FOOTNOTES

1 Memorandum "Establishing Tiered Rates for the Assessment of Real Estate Transfer Tax," from Katano Kasaine, Director of Finance to Sabrina Landreth, June 16, 2018.

2 SPUR Analysis of San Francisco Proposition L, a 2002 measure to increase the transfer tax on properties over \$1 million from .75% to 1.5,: <https://www.spur.org/publications/voter-guide/2002-11-01/proposition-l-real-property-transfer-tax>. Also SPUR analysis of San Francisco Prop N, a 2008 measure to increase the transfer tax on properties over \$5 million: <https://www.spur.org/publications/voter-guide/2008-11-01/proposition-n-transfer-tax-increase>

3 Memorandum "Establishing Tiered Rates for the Assessment of Real Estate Transfer Tax," from Katano Kasaine, Director of Finance, to Sabrina Landreth, City Administrator, June 16, 2018.

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