

EL CERRITO  
PROPOSED CITY CHARTER  
AND REAL PROPERTY  
TRANSFER TAX

JUNE 18, 2018



## OVERVIEW

Why do this now?

Review of City Charter Issues

City Council Direction

Charter Committee Overview

Review Draft Charter

Specific Items for Ballot Initiative

Real Property Transfer Tax

Questions and Discussion

Next Steps

# WHY CONSIDER A CHARTER NOW?

Being a charter city enhances local authority, including control over local funds for local needs

The list of unfunded needs continues to grow

Only charter cities, NOT general law cities, may levy a Real Property Transfer Tax (RPTT)

RPTT provides critical and sustained funding for Albany, Berkeley, Richmond, Emeryville and Oakland

Larger commercial development on SPA should pay their fair share, which they would through a RPTT

Much of the revenue from a RPTT would be paid by corporations that benefit from low property taxes

RPTT can help build an emergency reserve for natural disaster preparedness

# WHAT ARE THE ISSUES?

- Residents tell us that they want:
  - To continue the responsiveness and quality of our 9-1-1, fire protection, and emergency medical services
  - To maintain our parks and playfields
  - To preserve our library programs for all ages in a safe and energy-efficient library
  - To offer after-school programs for children and teens
  - To provide for seniors in our own senior center
- Capital funding is well below necessary levels for facilities, parks and playfields
- Budget will likely maintain police vacancies
- City has no emergency reserves for natural disaster preparedness
- El Cerrito like most cities has long term significant pension liabilities
- Another source of revenue is necessary to meet community needs

# REAL PROPERTY TRANSFER TAXES

- A “real property transfer tax” (RPTT) is a tax on the purchase/sale of real estate, both residential and commercial
- It’s a one-time tax on the sale, not an annual tax on property
- Buyers and sellers typically work out between themselves who will pay the tax
- If you own property and never sell it, you won’t pay the tax
- Would be paid as part of the purchase and sale of new development, including by developers of commercial projects
- A typical feature of the tax is a partial rebate to purchasers who use the money to pay for seismic upgrades or energy efficiency improvements
- The tax is generally rolled into the loans for a residential purchase

# WHAT COULD RPTT REVENUE BE USED FOR?

- RPTT would generate approximately \$ 2.7 million annually
- RPTT is a general tax that could be used for all aspects of city operations
- Current unfunded needs include:
  - Park, clubhouses, playgrounds, fields and facility deferred maintenance
  - 2-4 sworn officer positions (depending on SRO funding)
  - Emergency reserves – currently zero
  - Affordable housing assistance
  - Public Safety Building
  - Senior Center
  - Library Hours/Operations and facility
  - Pension liabilities

## AUTHORITY IN GENERAL LAW VS. CHARTER CITY

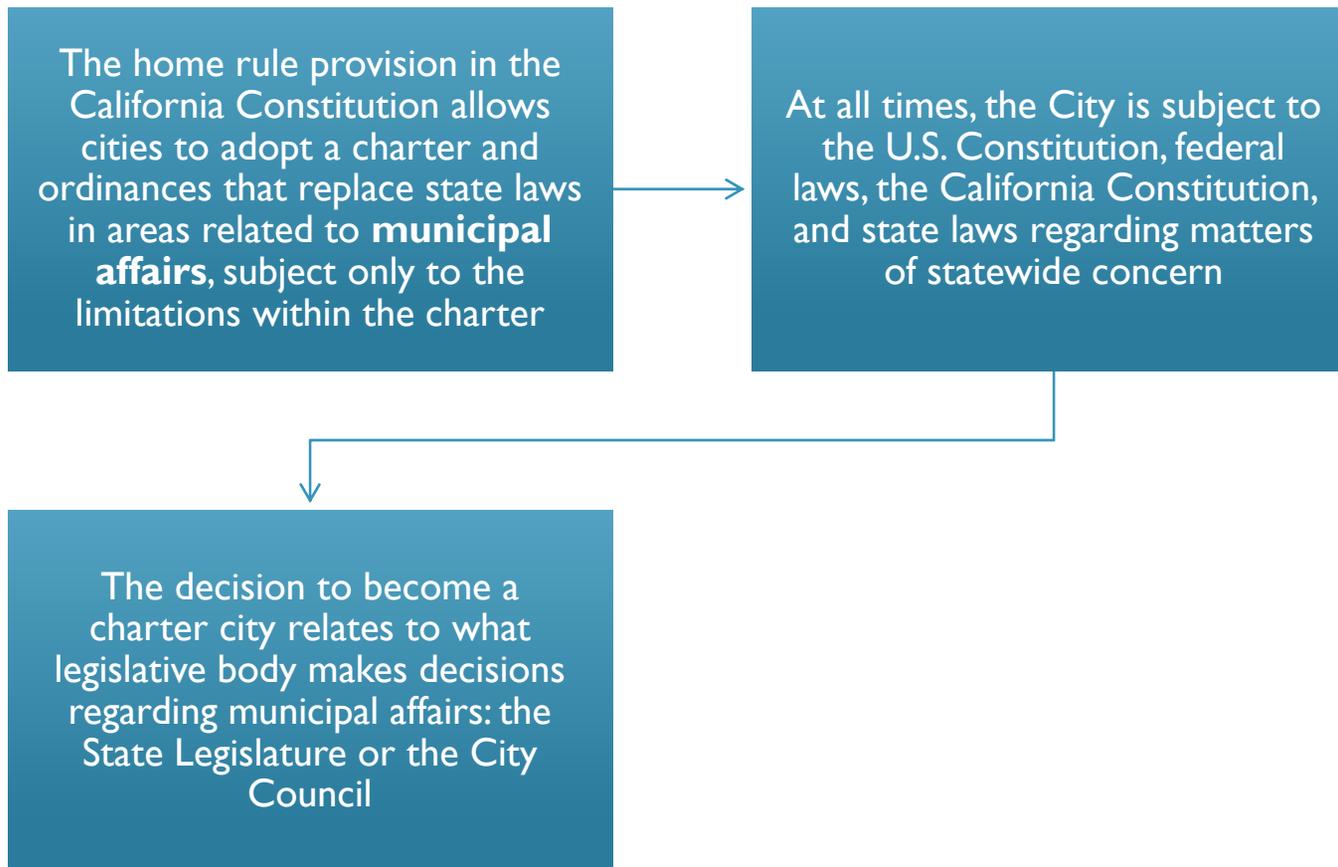
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A **General Law City** has the authority to act locally but its acts must be consistent with: the California Constitution, state statutes, state administrative regulations

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A **Charter City** has the additional authority to adopt laws regarding "municipal affairs" that are inconsistent with state statutes. Must still be consistent with US and California Constitutions and with the charter

# UNDERSTANDING HOME RULE



# CALIFORNIA CHARTER CITIES

361 General Law Cities



Currently 121 Charter Cities



Local Charter cities include Albany, Emeryville, Berkeley, Richmond, Oakland, Alameda, Piedmont, San Francisco, San Leandro and San Rafael

# CITY COUNCIL DIRECTION TO COMMITTEE

The Charter Committee shall prepare a draft charter for the City of El Cerrito to be submitted to the City Council for consideration and potential proposal to the City's voters.

The draft charter shall contain at least the following elements:

- It shall reserve to the City Council the power to adopt local rules in all matters of municipal affairs.
- It shall require the City to follow California law regarding the payment of prevailing wages for public works projects and collective bargaining with represented employee groups.
- It shall authorize the City Council to consider the use of all available tools for generating revenue, including but not limited to a real property transfer tax.
- The El Cerrito Municipal Code shall not be altered by the proposed charter.

# ROLE OF CHARTER COMMITTEE

**Review and understand**

Review and understand options

**Evaluate**

Evaluate alternatives within City Council Direction

**Develop**

Develop Draft Charter for City Council Consideration

# CHARTER COMMITTEE

- Charter Committee made up of Seven Members
  - Two Council Members
  - Member of Financial Advisory Board (FAB)(Chair)
  - Labor Representative (Local 1230)
  - Local realtor (Vice Chair)
  - Two members of Public (FAB Member and Former Mayor)
- Committee selected Chair and Vice Chair, approved minutes and followed Brown Act and standard meeting rules of order
- Committee voted unanimously on Draft Charter

# CHARTER COMMITTEE OVERVIEW

- Committee met on five separate occasions
- Meetings were noticed and advertised widely
- Public given opportunity to speak during public comment and specific items
- Committee reviewed other relevant charters and gave direction to staff
- Staff developed draft charter based on comments
- Committee reviewed, commented and provided direction on three versions
- Final version recommended unanimously to City Council

# DRAFT CHARTER COMPONENTS (DRAFT CHARTER ATTACHED)

Statement of  
Purpose

Establishment of  
Home Rule,  
Power over  
Municipal Affairs

Continuation of  
Boundaries, Form  
of Government,  
and Existing Law

Municipal  
Revenue

Prevailing Wages  
for Public Works  
and Public  
Contracting

Labor Relations

Elections

Interpretation,  
Severability, and  
Amendment

## STATEMENT OF PURPOSE

The City of El Cerrito was incorporated as a general law city in 1917 by residents seeking the right to manage local affairs. Since then, the authority of general law cities over local affairs has diminished. Furthermore, the State has continually added mandates for cities that require local resources to address State concerns, increased its control over local matters, and redirected much needed local revenue for its own purposes. Changes in State law have limited the ability of El Cerrito to decide how to use local dollars for local needs. The power of home rule, granted by the California Constitution, makes available to charter cities a variety of tools to use to construct local policy and address local concerns. The voters of each charter city get to decide which tools to put in their tool box. With this Charter, El Cerrito will reclaim more local autonomy and expand the economic and fiscal independence of our City government to promote the health, safety, and welfare of all its residents. Therefore, we do hereby exercise the express right granted by the Constitution of the State of California to enact and adopt this Charter for the City of El Cerrito.

## KEY AREAS OF COMMITTEE FOCUS

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**Form of Government** – The Committee spent a fair amount of time understanding the current form of government and decided it was important that it be reiterated in Charter to affirm it would not change.

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**Municipal Revenue** – A fair amount of discussion occurred related to revenues in general and specifically the Real Property Transfer Tax. Based on the discussions, the Committee recommended flexible revenue language but also specifically called out the RPTT for transparency leaving the rate to the City Council.

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**Prevailing Wages, Labor Relations and Elections** – These were items directed by the City Council to not be changed. The Committee debated whether they should be included at all since they would remain unchanged if left out of Charter. However, Committee decided to include to strengthen the City Council priorities and make very clear these items would not change with passage of the Charter.

## TOPICS THAT THE COMMITTEE WANTED COMMUNICATED TO COUNCIL

Public information about the Charter should describe the full range of powers as a charter city, including financial powers.



Explain why the form of government was addressed in the Charter even though the Council didn't provide direction on the topic.



The residents of El Cerrito would have the ability to change the Charter in the future should the need or desire arise.

# REAL PROPERTY TRANSFER TAX RECOMMENDATION

- El Cerrito had a RPTT until 2003 Rate was set at \$7.00 per \$1,000
- In FY2003, RPPT generated \$1.2m in revenue
- In FY 2016, would have brought in ~\$1.7m
- \$12.00 per \$1,000 brings in ~\$2.7m
- In 2017, would have brought in \$500,000 from sales of commercial property on San Pablo Avenue alone
- No noticeable impact on home prices in other cities
- City Council will set rate in July
- Staff plans to recommend **\$12.00 per \$1,000**

## Neighboring RPTT Rates:

	<u>Per \$1,000</u>
Alameda	\$ 12.00
Richmond	\$ 7.00
Oakland	\$ 15.00
Emeryville	\$ 12.00
Berkeley	\$ 15.00
Albany	\$ 11.50
Piedmont	<u>\$ 13.00</u>
AVG	\$ 12.21
Median	\$ 12.00

# POTENTIAL REBATE OPPORTUNITIES

Of the local Charter Cities, Berkeley and Oakland offer rebate

- Seismic upgrades
- Berkeley: up to 1/3 of RPTT; Oakland: 0.5% of price or \$5,000, whichever is lower
- Part of regular permit process

Staff would recommend a similar rebate process in El Cerrito but expand qualifying improvements

- Seismic Upgrades, Solar Panel Installation, Energy Efficiency Improvements and EV charging
- Not to exceed 1/3 value of RPTT
- Must be part of regular permit process
- Must be done within one year
- Separate application to be considered with regular permit approvals

# CURRENT TIMELINE



# CHARTER PROCESS

1

Develop  
Framework

2

Select Charter  
Committee

3

Committee Drafts  
New Charter

4

Recommendation  
to City Council

5

Council Decides  
to Place on Ballot

- Review Survey
- Draft Ordinance

6

Election



# CITY CHARTER PROCESS

QUESTIONS, COMMENTS AND CONCERNS?

