



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Margaret L. O'Brien
Interim Finance Director

SUBJECT: Vacant Property Tax Rates For
Properties Deemed Vacant in 2020
and 2021

DATE: November 2, 2020

City Administrator Approval

Date:

Nov 20, 2020

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Establishing Tax Rates For Properties Subject To The Vacant Property Tax For Calendar Years 2020 and 2021.

EXECUTIVE SUMMARY

On July 24, 2018, the Oakland City Council adopted Resolution 87319 C.M.S calling for a voter consideration of the ballot measure to adopt a Special Parcel Tax on vacant properties to fund solutions for homelessness, illegal dumping remediation, and specified programs.

On November 6, 2018, Oakland voters approved Measure W, the Vacant Property Tax Act, by a margin of 70.04 percent, which established an annual tax on vacant property for 20 years to raise revenue necessary to support and fund programs and services for homeless people affordable housing, code enforcement and cleanup of blighted properties, and remedy illegal dumping.

Adoption of the proposed resolution will allow staff to begin the process of identifying the use and vacancy status of real property in 2020, notifying affected property owners and allowing ample time for property owners to apply for one of 10 allowable exemptions prior to having the tax assessment included in the FY 2021-22 Secured Property Tax bill.

BACKGROUND / LEGISLATIVE HISTORY

On November 5, 2019, the Oakland City Council adopted Resolution 87916 C.M.S., setting the tax rates for properties deemed vacant in calendar year 2019 to be levied at the maximum allowable tax rates, except for any "vacant residential land, zoned 4 units or less" under the Alameda County Use 1000 to be levied at the maximum tax rate of \$3,000.

On November 19, 2019, the Oakland City Council adopted Ordinance 13571 C.M.S., amending portions of Measure W, codified under Oakland Municipal Code Chapter 4.56, to clarify and further define functions and operations of a parcel and to establish a method for identifying parcels subject to the tax.

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December 1, 2020

ANALYSIS AND POLICY ALTERNATIVES

Measure W defines three different categories of parcels that may be subject to the tax:

- 1) Residential and non-residential land parcels, both developed and undeveloped;
- 2) Individually owned condominium, duplex or townhouse units; and
- 3) Ground floor commercial spaces.

City Council setting the tax rates will enable staff to plan for the timely noticing to property owners in early 2021 and to develop the foundation revenues and expenditures for the Fiscal Years 2021-23 Biennial Budget. The proposed Resolution sets the tax rates at the maximum tax rates, as specified in Measure W, for properties deemed vacant in calendar years 2020 and 2021. The maximum tax rates for parcels in the first category, residential and non-residential land parcels, is \$6,000 per year. The maximum tax rate for parcels in the second and third categories is \$3,000 per year.

Compared to the adopted tax rates for calendar year 2019, the change that is being recommended is an increase in the tax rate for “vacant residential land, zoned 4 units or less” under the Alameda County Use Code 1000 from \$3,000 to \$6,000. Property owners have had multiple years since the passage of Measure W in 2018 to put the parcels in use or start the process of developing the property, which is the goal of Measure W.

FISCAL IMPACT

The overarching goal of Measure W is to encourage property owners to put vacant parcels in use to increase the housing supply. As such, the number of parcels that are subject to the tax should decrease over time as more property owners meet this primary goal. Thus, there are a number of variables that impact the amount of revenue raised by the Vacant Property Tax. The largest being, 1) active use of a parcel for more than 50 days during a calendar year is a relatively easy threshold to meet, and 2) of parcels that are considered vacant it is difficult to know how many will meet one of the ten (10) allowable exemptions in the measure.

Based on the number of parcels that were subject to the tax for calendar year 2019, staff estimates the same number of parcels, about 2,000, would likely be subject to the tax for each of the two calendar years in 2020 & 2021. The estimated amount of revenue will remain at approximately \$7 million for each of the two fiscal years (FY 2021-22 and FY 2022-23) if the recommended tax rates are adopted. This will offset the likely increase in the number of qualifying financial or medical-related exemptions brought on by the COVID-19 emergency.

If the Council adopts the same tax rates that were adopted for calendar year 2019, staff estimates the amount of revenue would be less, between 5% less for a total estimated revenue of \$6.7M and up to 15% less for a total estimated revenue of \$5.9M due to the aforementioned likely increase in the number of qualifying financial or medical-related exemptions brought on by the COVID-19 emergency.

PUBLIC OUTREACH / INTEREST

Since the adoption of Measure W, staff conducted extensive research and a public outreach campaign to gather input and comments from the public that led to the City Council's adoption of an implementation ordinance in November 2019. This item will be posted on the City's website for the December 1, 2020 City Council meeting.

COORDINATION

This report and resolution was coordinated with the Budget Bureau and the City Attorney's Office.

SUSTAINABLE OPPORTUNITIES

Economic: Vacant properties, either by choice of or neglect by their owners, incur costs to the City to keep them from becoming crime magnets, fire hazards or dumping grounds. Vacant or undeveloped properties deprive the community of the economic opportunity and housing that could be provided if those properties were put into use, reducing the supply of units available to house people and businesses, thus making it more difficult for people to find space to live or operate businesses within the City. Properties that are vacant also deprive the City of the revenue needed to provide public services, by reducing the tax revenue that is generated when properties provide space for active uses or are developed for housing or businesses. The special tax provides a dedicated source of revenue to provide services and programs to homeless people to reduce homelessness, and to support the protection of existing and production of new affordable housing for lower income households, with minimal impact to the General Purpose Fund.

Environmental: The special tax will help maintain neighborhoods free from vacant and abandoned properties that can have negative impacts on the community, including encouraging blight and illegal dumping.

Race and Equity: Vacant properties depress value across an entire neighborhood and generate little or no tax revenues themselves. There are 10 provisions, including low income household, low income senior, exceptional specific circumstances, qualifying medical event, non-profit organizations, etc., that would enable the property owner to apply for an exemption from the tax if the property is deemed vacant.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends the City Council adopt a resolution establishing tax rates for properties subject to the Vacant Property Tax for calendar years 2020 and 2021 at the maximum tax rates specified in Measure W.

For questions regarding this report, please contact Rogers Agaba, Interim Revenue & Tax Administrator, (510) 238-7009.

Respectfully submitted,

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