



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Vacant Property Tax Rates Setting
For Calendar Years 2022 Through
2024

DATE: June 19, 2023

City Administrator Approval


Jestin Johnson (Jun 30, 2023 07:18 PDT)

Date: Jun 30, 2023

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Setting The Maximum Tax Rates, As Authorized By The 2018 Measure W, For Properties Subject To The Vacant Property Tax For Calendar Years 2022 Through 2024.

EXECUTIVE SUMMARY

The 2018 Measure W, the Vacant Property Tax Act that was approved by the voters by a margin of 70.04 percent, established an annual tax on vacant property for 20 years to raise revenue necessary to support and fund homelessness programs and services, affordable housing, Code Enforcement, and clean-up of blighted properties and illegal dumping. A property is considered vacant if it “is in use less than fifty (50) days in a calendar year.”

The 2018 Measure W further authorizes the City Council to establish, by resolution, annual tax rates at or less than the maximum tax rates of \$3,000 for vacant condominium, duplex, townhouse and ground floor commercial spaces and \$6,000 for vacant residential and non-residential properties. Other than the reduction of the first year’s tax rate from \$6,000 to \$3,000 for vacant resident properties with 4 units or less for properties deemed vacant in calendar year 2019, the City Council set the subsequent tax rates for properties deemed vacant in calendar years 2020 and 2021 at the maximum allowable tax rates.

Adoption of the proposed resolution will maintain the existing maximum tax rates applicable to properties deemed vacant for calendar years 2022 through 2024. The assessment of the tax for properties deemed vacant will continue to be included in the Secured Property Tax bill administered and collected by the Alameda County.

BACKGROUND / LEGISLATIVE HISTORY

On July 24, 2018, the Oakland City Council adopted [Resolution No. 87319 C.M.S](#) calling and giving notice, on its own motion, 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 program.

Finance & Management Committee
July 11, 2023

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 homelessness programs and services, affordable housing, Code Enforcement, and clean-up of blighted properties and illegal dumping.

On November 5, 2019, the Oakland City Council adopted [Resolution No. 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 Code 1000 to be levied at the maximum tax rate of \$3,000.00.

On November 19, 2019, the Oakland City Council adopted [Ordinance No. 13571 C.M.S](#) amending portions of the 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 of identifying parcels subject to the tax.

On December 1, 2020, the Oakland City Council adopted [Resolution No. 88422 C.M.S](#) setting the tax rates for properties deemed vacant in calendar year 2020 and 2021 to be levied at the maximum allowable tax rates.

ANALYSIS AND POLICY ALTERNATIVES

The proposed Resolution sets the tax rates at the maximum tax rates, as specified in the 2018 Measure W, for properties deemed vacant in the relevant calendar years.

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

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. The Vacant Property Tax is assessed in arrears for each calendar year and included in the secured property tax bill for collection by the Alameda County Tax Collector by fiscal year. By way of example, a property deemed vacant in calendar 2022 will be assessed for the Vacant Property Tax in early 2023. The amount of assessment will then be included the secured property tax bill covering Fiscal Year 2023-24. Vacant Property Tax assessment that remains unpaid is included as part of delinquent Secured Property Tax. If the delinquent Secured Property Taxes are not paid, the normal method of collection is to enforce a sale of the property called Tax Sales (Revenue & Taxation Code § 3351 et seq.) **Table 1** illustrates the timing.

Table 1: Timing of Vacant Parcel Tax

Tax Year	Administration Review and Identification of parcels subject to VPT	Initial Determination & Noticing Process	Final Determination & Noticing Process	Appeal Process	Placement of Charges on Secured Property Tax Bill	Owner Receiving the Secured Property Tax Bill
2022	January 2023	February- April 2023	May 2023	June – July 2023	August 2023	October 2023

There are a significant number of variables that impact the amount of revenue raised by the Vacant Property Tax each year. First, active use of a parcel for more than 50 days during a calendar year may be a relatively easy threshold to meet. Second, it is very difficult to know the number of parcels that will be in use less than 50 days in a calendar year but will meet one of the ten (10) allowable exemptions in any given year. Finally, the goal of Measure W is to encourage property owners to put the parcels in use in order to increase the housing supply. This, in turn, would naturally decrease the number of parcels that could be subject to the tax.

Table 2 shows the number of parcels that were assessed the tax and the amount collected for each of the first three years since VPT became effective in 2019.

Table 2: Parcels Assessed and Amount Collected by Fiscal Year

Vacant Property Tax (Fund 2270)					
No. of Parcels Assessed for VPT			Revenue		
Tax year	No. of Parcels	Amount	Tax Year	Assessment Year	Revenue
2019	1,702	\$6,447,000.00	2019	FY 2020-21	\$4,714,741.00
2020	1,647	\$8,028,000.00	2020	FY 2021-22	\$6,135,632.00
2021	1,284	\$7,821,000.00	2021	FY 2022-23	\$5,317,365.61(*)
Average	1,544	\$7,432,000.00	Average Collection		\$5,425,186.00

(*) Through June 18, 2023

FISCAL IMPACT

The inclusion of the Vacant Property Tax assessment with the Secured Property Tax administered and collected by the County of Alameda is the most effective method of the tax collection. The failure to adopt the proposed resolution in setting the tax rates would result in the City not having the legislation required by the County for the inclusion of the Vacant Property Tax assessment with the Secured Property Tax bill and therefore jeopardizing the annual average collection of approximately \$5.43 million.

PUBLIC OUTREACH / INTEREST

No outreach was deemed necessary for this informational report beyond the standard City Council agenda noticing procedures.

COORDINATION

This report has been coordinated with The Finance Department, Budget Bureau and the Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: Vacant properties, either by choice of or neglected by their owners, leaving the City to keep them from becoming crime magnets, fire hazards or dumping grounds. 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 to 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 could becoming public nuisances that affect health and the environment.

Race and Equity: No direct Race & Equity opportunities because the Vacant Property Tax is based on the status of the property regardless of the property's location, property's value, owners' race or ethnicity.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt a Resolution setting the maximum tax rates, as authorized by the 2018 Measure W, for properties subject to the Vacant Property tax for calendar years 2022 through 2024.

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

Respectfully submitted,



[Erin Roseman \(Jun 29, 2023 16:31 PDT\)](#)

ERIN ROSEMAN
Director of Finance
Finance Department

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