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# MEMORANDUM

**TO:** HONORABLE MAYOR &  
CITY COUNCIL

**FROM:** Adam Benson  
Director of Finance

**SUBJECT:** Local Measures CPI Adjustment

**DATE:** May 21, 2020

## INFORMATION

This informational memo is in response to questions raised by the City Council during the meeting of May 19, 2020, concerning Consumer Price Index (CPI) adjustments and exemptions in local measures. Staff recommends that the City Council increase the rate of the parcel taxes by the CPI on the following voter-approved measures:

- Measure M (The Emergency Medical Services Retention Act of 1997);
- Measure N (The Paramedic Services Act of 1997);
- Measure Q (The Library Services Retention and Enhancement Act of 2004);
- Measure Z (The 2014 Public Safety and Services Violence Prevention Act); and
- Measure D (2018 Oakland Public Library Preservation Act)

These measures provide resources to support: 1) dispatch services for emergency medical services; 2) paramedic emergency services; 3) enhanced library services; 4) public safety services, including police and fire services; and, 5) violence prevention and intervention strategies. The action, if approved, would also authorize the levy for Measure Q (The 2020 Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act), which was approved by voters on March 3, 2020, and would be levied for the first time beginning in FY 2020-21 and, therefore, is not subject to a CPI adjustment.

The Fiscal Year (FY) 2019-21 Adopted Biennial Budget, which was approved by the City Council, included CPI-based revenue adjustments for local measures in both FY 2019-20 and FY 2020-21. **Across all local measures, the CPI adjustment would result in \$1.75 million in new revenues for FY 2020-21. If Council decides not to authorize the CPI adjustments, it would require an equivalent reduction in the following funds:**

<b>Fund</b>	<b>Preliminary Budgeted FY 2020-21 Amount</b>
2412 - Measure M: Emergency Dispatch Service	\$74,043
2250 - Measure N: Paramedic Services	58,967
2241 - Measure Q: Library Services Retention & Enhancement	556,229
2252 - Measure Z: Violence Prevention and Public Safety Act of 2014	588,179
2243 - Measure D: Parcel Tax to Maintain, Protect & Improve Library Services	473,057
<b>Total</b>	<b>\$1,750,475</b>

**Hardship Exemptions**

The proposed CPI adjustment will increase the tax paid by single family residential parcels by **\$11.25 annually** (\$0.94/month) and multiple residential parcels by **\$8.91 annually** (\$0.74/month) for FY 2020-21.

Some ballot measures provide a mechanism for the exemptions from parcel tax to qualifying low-income households, senior household, affordable housing projects, tenants in foreclosed single family homes, certain religious organizations and schools, and distressed homeowners. The following table summarizes these exemptions. An excerpt of actual language from the ballot measures are provided in **Attachment A** for convenience.

	Measure M	Measure N	Measure Q (Library)	Measure Z	Measure D	Measure Q (Parks)	Total
Low-Income Homeowner / Household			X	X	X	X	
Low-Income Residential Hotel			X				
Affordable Housing Projects				X	X	X	
Tenants in Foreclosed Single Family Homes				X		X	
Religious Organization or School				X		X	
Senior Household					X	X	
Distressed Homeowner						X	
<b>Proposed Single Family Rate Increase</b>	<b>\$0.51</b>	<b>\$0.41</b>	<b>\$3.60</b>	<b>\$3.73</b>	<b>\$3.00</b>	<b>N/A</b>	<b>\$11.75</b>

For questions, please contact Jason Wong, Finance Manager, at (510) 238-3046.

Respectfully submitted,



ADAM BENSON  
 Director of Finance, Finance Department

Attachments

--Attachment A: Hardship Exemptions From Ballot Measures

**Measure Q (The Library Services Retention  
and Enhancement Act of 2004)**

**Hardship Exemptions Ballot Measure Language**

Commercial/Institutional	80	6,400
Industrial	100	10,000
Public Utility	1,000	100,000
Golf Course	500	100,000
Quarry	1,000	250,000

Example: assessment calculation for a commercial or institutional parcel with a frontage of 160 feet and an area of 12,800 sq. ft.:

<u>Frontage</u>	<u>Area</u>
160 FT	12,800 SF
80 FT/SFE = 2 SFE;	6,400 SF / SFE = 2 SFE
2 SFE + 2 SFE = 4 SFE	<u>4 SFE x \$38.41 = \$153.64</u>
<del>4SFE x \$15 = \$60</del>	

### Section 6. EXEMPTIONS

The tax imposed by this Ordinance shall be subject to the exemptions set forth in this section.

(A) Low-Income Homeowner Exemption. Exempt from this tax are owners of single-family Residential Units in which they reside whose combined Family income, from all sources for the previous calendar year, is at or below the income level qualifying as "very low-income" for a Family of such size under Section 8 of the United States Housing Act of 1937 42 U.S.C.A. Sections 1437 et. seq., for such year. Owners must apply for the exemption provided for in this section annually by petition to the Director of The Finance and Management Agency of the City of Oakland ("Director of Finance") in the manner and at the time set forth in procedures established by the Director of Finance. Such petitions shall be on forms provided by the Director of Finance and shall provide such information as the Director of Finance shall require, including, but not limited to, federal income tax returns and W-2 forms of owner-occupants eligible for this exemption.

(B) Low-Income Residential Hotel Exemption. Notwithstanding the apportionment requirements of Section 5.1 above, there are exempt from the tax imposed by this Ordinance Owners and Operators of Residential Hotels owned and operated by Exempt Organizations or by limited partnerships in which the controlling general partner is an Exempt Organization. This exemption shall only apply if the Residential Hotel is subject to a recorded regulatory agreement between the Owner and the State of California or a federal or local public agency, and if, pursuant to such regulatory agreement, the Owner is obligated to maintain rents in the Residential Hotel at "affordable" levels and rent to "low income" persons as such terms are defined in the applicable regulatory agreement. Owners must apply for this exemption to this tax annually by petition to the Director of Finance of the City of Oakland in the manner and at the time set forth in procedures established by the Director of Finance.

### Section 8. MINIMUM LIBRARY APPROPRIATION PREREQUISITE AT FISCAL YEAR 2000-01 93-94 LEVEL

**Measure Z (The 2014 Public Safety and  
Services Violence Prevention Act)**

**Hardship Exemptions Ballot Measure Language**

(D) An Owner of an Undeveloped Parcel is exempt from this parcel tax if the Owner can prove that the parcel was undeveloped for at least six months of the year in question.

(E) The tax imposed by this Ordinance shall be imposed on each Hotel within the City as follows:

1. Residential Hotels. Rooms in a Hotel occupied by individuals who were not Transients for 80% or more of the previous Fiscal Year shall be deemed Residential Units and the parcel on which they are located shall be subject to the Parcel tax imposed on Multiple Residential Unit Parcels. The remainder of the Building shall be subject to the applicable tax computed in accordance with the Single Family Residential Unit Equivalent formula set forth in Section 2(C).

2. Transient Hotels. Notwithstanding the previous subsection, if 80% or more of the Operator's gross receipts for the previous Fiscal Year were reported as rent received from Transients on a return filed by the Operator in compliance with section 4.24.010 of the Oakland Municipal Code (commonly known as the Uniform Transient Occupancy Tax of the City of Oakland), such Hotel shall be deemed a Transient Hotel. The entire Building shall be deemed a Non-Residential Parcel, categorized as Commercial/Institutional, and shall be subject to the applicable tax computed in accordance with the Single Family Residential Unit Equivalent formula set forth in Section 2(C), and the parcel tax imposed on Multiple Residential Units shall not apply.

### Section 3. EXEMPTIONS.

(A) Low income household exemption. The following is exempt from this tax: an Owner of a Single Family Residential Unit (1) who resides in such unit and (2) whose combined family income, from all sources for the previous fiscal year, is at or below the income level qualifying as "very low income" for a Family of such size under Section 8 of the United States Housing Act of 1937 (42 U.S.C.A. Sections 1437 et. seq.) for such fiscal year. Owners must apply for the exemption provided for in this section annually by petition to the Director of the Finance of the City of Oakland ("Director of Finance") or City Administrator designee in the manner and time set forth in procedures established by the Director of Finance. Such petitions shall be on forms provided by the Director of Finance and shall provide such information as the Director of Finance shall require, including, but not limited to, federal income tax returns and W-2 forms of owner-occupants eligible for this exemption.

(B) Fifty percent reduction for affordable housing projects. Rental housing owned by nonprofit corporations and nonprofit-controlled partnerships for senior, disabled and low income households that are exempt from ad valorem property tax pursuant California Revenue and Taxation Code sections 214(f), (g) and (h) shall be liable for only 50% of the parcel tax. The exemption shall apply in the same proportion that is exempted from ad valorem property tax.

(C) Rebate to tenants in foreclosed single family homes. The City will provide a rebate of one-half of the tax and subsequent increases thereto ("Foreclosure Rebate") to

tenants in single family homes that have been foreclosed upon who have paid a passed through Parcel Tax. To qualify for the Foreclosure Rebate, a tenant must: (1) have lived in the unit before foreclosure proceedings commenced; and (2) be at or below the income level qualifying as "very low income" for a Family of such size under Section 8 of the United States Housing Act of 1937 (42 U.S.C.A. Sections 1437 et. seq.,) for such fiscal year. The City will provide the Foreclosure Rebate for every month that the tax was applied and the tenant occupied the unit. The City will provide the Foreclosure Rebate at the end of each fiscal year, or when the tenant vacates the unit, whichever is earlier. The City Administrator will promulgate regulations to effectuate this Part 3, Section 3(C).

(D) Real property owned by a religious organization or school that is exempt from property taxes under California law is exempt from this tax. To qualify for this exemption, each religious organization or school seeking such exemption shall submit such information required to determine eligibility for such exemption.

Section 4. REDUCTION IN TAX; RATE ADJUSTMENT.

(A) Subject to paragraph (B) of this section, the tax rates imposed by this Ordinance are maximum rates and may not be increased by the City Council above such maximum rates. The tax imposed by the Ordinance may be suspended, reduced or eliminated by the City Council for a subsequent fiscal year upon a vote of the City Council on or before June 30th of the year in which the City Council determines that after such suspension, reduction or elimination, there will be sufficient revenues available to balance the City Council's Adopted Policy Budget and provide the services and programs described in Part I, Section 3 above. Such suspension, reduction or elimination shall be effective the fiscal year following such vote.

(B) Beginning in the Fiscal Year 2015-2016, and each year thereafter, the City Council may increase the tax imposed hereby only upon a finding that the cost of living in the immediate San Francisco Bay Area, as shown on the Consumer Price Index (CPI) for all items in the San Francisco Bay Area as published by the U.S. Department of Labor Statistics, has increased. The percentage increase of the tax imposed hereby shall not exceed such increase, using Fiscal Year 2014-2015 as the index year and in no event shall any annual adjustment exceed five percent (5%).

Section 5. DUTIES OF THE DIRECTOR OF FINANCE.

It shall be the duty of the Director of the Finance to collect and receive all taxes imposed by this Ordinance. The Director of Finance is charged with the enforcement of this Ordinance and may adopt rules and regulations relating to such enforcement.

Section 6. EXAMINATION OF BOOKS, RECORDS, WITNESSES;  
PENALTIES.

The Director of Finance or his/her designee is hereby authorized to examine assessment rolls, property tax records, records of the Alameda County Recorder and any other records of the County of Alameda deemed necessary in order to determine ownership of Parcels and computation of the tax imposed by this Ordinance.

**Measure D (2018 Oakland Public  
Library Preservation Act)**

**Hardship Exemptions Ballot Measure Language**



(E) The tax imposed by this Ordinance shall be imposed on each Hotel within the City as follows:

1. Residential Hotels. Rooms in a Hotel occupied by individuals who were not Transients for 80% or more of the previous Fiscal Year shall be deemed Residential Units and the parcel on which they are located shall be subject to the Parcel tax imposed on Multiple Residential Unit Parcels. The remainder of the Building shall be subject to the applicable tax computed in accordance with the Single Family Residential Unit Equivalent formula set forth in Section 2(C).

2. Transient Hotels. Notwithstanding the previous subsection, if 80% or more of the Operator's gross receipts for the previous Fiscal Year were reported as rent received from Transients on a return filed by the Operator in compliance with section 4.24.010 of the Oakland Municipal Code (commonly known as the Uniform Transient Occupancy Tax of the City of Oakland), such Hotel shall be deemed a Transient Hotel. The entire Building shall be deemed a Non-Residential Parcel, categorized as Commercial/Institutional, and shall be subject to the applicable tax computed in accordance with the Single Family Residential Unit Equivalent formula set forth in Section 2(C), and the parcel tax imposed on Multiple Residential Units shall not apply.

### Section 3. EXEMPTIONS

(A) Very Low income household exemption. The following is exempt from this tax: an Owner of a single family residential unit (1) who resides in such unit and (2) whose combined family income, from all sources for the previous fiscal year, is at or below the income level qualifying as "very low income" for a Family of such size under Section 8 of the United States Housing Act of 1937 (42 U.S.C.A. Sections 1437 et. seq.) for such fiscal year. Owners must apply for the exemption provided for in this section annually by petition to the Director of the Finance of the City of Oakland ("Director of Finance") or City Administrator designee in the manner and time set forth in procedures established by the Director of Finance. Such petitions shall be on forms provided by the Director of Finance and shall provide such information as the Director of Finance shall require, including, but not limited to, federal income tax returns and W-2 forms of owner-occupants eligible for this exemption.

(B) Fifty percent reduction for affordable housing projects. Rental housing owned by nonprofit corporations and nonprofit-controlled partnerships for senior, disabled and low income households that are exempt from ad valorem property tax pursuant California Revenue and Taxation Code 214(f), (g) and (h) shall be liable for only 50% of the parcel tax. The exemption shall apply in the same proportion that is exempted from ad valorem property tax.

(C) Senior household exemption. The following is exempt from this tax: an Owner and Occupier of a single family residential unit (1) who is 65 years of age or older and (2) whose combined family income, from all sources for the previous fiscal year, is at or below the income level qualifying as "low income" for a Family of such size under Section 8 of the United States Housing Act of 1937 (42 U.S.C.A. Sections 1437 et. seq.) for such fiscal year.

Owners must apply for the exemption provided for in this section annually by petition to the Director of the Finance of the City of Oakland ("Director of Finance") or City Administrator designee in the manner and time set forth in procedures established by the Director of Finance. Such petitions shall be on forms provided by the Director of Finance and shall provide such information as the Director of Finance shall require, including, but not limited to, federal income tax returns and W-2 forms of owner-occupants eligible for this exemption.

Section 4.      REDUCTION IN TAX; RATE ADJUSTMENT

- (A) Subject to paragraph (B) of this section, the tax rates imposed by this Ordinance are maximum rates and may not be increased by the City Council above such maximum rates. The tax imposed by the Ordinance may be suspended, reduced or eliminated by the City Council for a subsequent fiscal year upon a vote of the City Council on or before June 30th of the year in which the City Council determines that after such suspension, reduction or elimination, there will be sufficient revenues available to balance the City Council's Adopted Policy Budget and provide the services and programs described in Part I, Section 3 above. Such suspension, reduction or elimination shall be effective the fiscal year following such vote.
- (B) Beginning in the Fiscal Year 2019-2020, and each year thereafter, the City Council may increase the tax imposed hereby only upon making one of the following findings:
  - 1) That the cost of living in the immediate San Francisco Bay Area, as determined by the 12-month Annual Percentage Change in the Consumer Price Index (CPI) for all items in the San Francisco Bay Area as published by the Bureau of Labor Statistics of the U.S. Department of Labor, has increased; or
  - 2) That the fiscal year change in California per capita personal income, as determined by the California State Department of Finance and shown in the Price Factor and Population Information Report issued each May, has increased.

The increase of the taxes imposed hereby shall not exceed the verified increase in either 1) the cost of living in the immediate San Francisco Bay Area, using 2018 as the index year, or 2) California per capita personal income, using Fiscal Year 2018-2019 as the index year, whichever is greater.

Section 5.      PARCEL TAX NOT TO REPLACE GENERAL FUND APPROPRIATIONS

The City's current General Fund appropriation for Library services may not be replaced by this parcel tax. The Library Department's adopted General Fund appropriation for fiscal year 2017-2018 is \$12,992,267.

**Measure Q (The 2020 Oakland Parks and  
Recreation Preservation, Litter Reduction, and  
Homelessness Support Act)**

**Hardship Exemptions Ballot Measure Language**

Example: assessment calculation for a Commercial Institutional Parcel with a Frontage of 160 feet and an Area of 12,800 square feet:

Frontage                    160 feet ÷ 80 = 2 SFE  
Area                        12,800 square ÷ feet 6,400 = 2 SFE  
  
2 SFE + 2 SFE = 4 SFE  
  
4 SFE x \$148.00 = \$592.00 tax

D. The Tax imposed by this Act shall be imposed on each Hotel within the City as follows:

1. Residential Hotels. Rooms in a Hotel occupied by individuals who were not Transients for eighty percent (80%) or more of the previous fiscal year shall be deemed Residential Units and the Parcel on which they are located shall be subject to the Tax imposed on Multiple Residential Unit Parcels. The remainder of the Building shall be subject to the applicable tax computed in accordance with the single-family residential unit equivalent formula set forth in Section 2(c) of this Act.
2. Transient Hotels. Notwithstanding paragraph (1) of this subdivision, if eighty percent (80%) or more of the Operator's gross receipts for the previous Fiscal Year were reported as rent received from Transients on a return filed by the Operator in compliance with Section 4.24.010 of the Oakland Municipal Code (commonly known as the Uniform Transient Occupancy Tax of the City of Oakland), such Hotel shall be deemed a Transient Hotel. The entire Building shall be deemed a Non-Residential Parcel, categorized as commercial/institutional, and shall be subject to the applicable tax computed in accordance with the single-family residential unit equivalent formula set forth in Section 2(c) of this Act, and the Tax imposed on Multiple Residential Units shall not apply.

### **SECTION 3. Exemptions.**

- A. Very-Low income household exemption. The following is exempt from this tax: an Owner of a Single-Family Residential Unit (1) who resides in such unit and (2) whose combined family income, from all sources for the previous year, is at or below the income level qualifying as sixty percent (60%) of area median income for a Family of such size under Section 8 of the United States Housing Act of 1937 (42 U.S.C.A. Sections 1437 et. seq.), or successor legislation, for such year. The Director of Finance shall set forth procedures for annual applications from Owners for the exemption, which may require information such as federal income tax returns and W-2

forms of owner occupants eligible for the exemption, or procedures for an alternative process.

- B. Senior household exemption. The following is exempt from this tax: an Owner of a single-family residential unit (1) who resides in such unit, (2) who is sixty-five (65) years of age or older and (3) whose combined family income, from all sources for the previous year, is at or below the income level qualifying as eighty percent (80%) of area median income for a Family of such size under Section 8 of the United States Housing Act of 1937 (42 U.S.C.A. Sections 1437 et. seq.), or successor legislation, for such year. The Director of Finance shall set forth procedures for annual applications from Owners for the exemption, which may require information such as federal income tax returns and W-2 forms of owner occupants eligible for the exemption, or procedures for an alternative process.
- C. Fifty percent reduction for affordable housing projects. Rental housing owned by nonprofit corporations and nonprofit-controlled partnerships for senior, disabled and low-income households that are exempt from ad valorem property tax pursuant California Revenue and Taxation Code 214(f), (g) and (h) shall be liable for only 50% of the Tax. The exemption shall apply in the same proportion that is exempted from ad valorem property tax.
- D. Rebate to tenants in foreclosed single-family homes. The City will provide a rebate of one-half (1/2) of the Tax and subsequent increases thereto to tenants in single-family homes that have been foreclosed upon who have paid a passed through Parcel Tax. To qualify for this rebate, a tenant must: (1) have lived in the unit before foreclosure proceedings commenced; and (2) be at or below the income level qualifying as sixty percent (60%) of area median income for a Family of such size under Section 8 of the United States Housing Act of 1937 (42 U.S.C.A. Sections 1437 et. seq.), or successor legislation, for such year. The City will provide this rebate for every month that the Tax was applied and the tenant occupied the unit. The City will provide this rebate at the end of each year, or when the tenant vacates the unit, whichever is earlier. The City Administrator will promulgate regulations to effectuate this subdivision.
- E. Real property owned by a religious organization or school that is exempt from property taxes under California law is exempt from this Tax. To qualify for this exemption, each religious organization or school seeking such exemption shall submit such information required to determine eligibility for such exemption.
- F. Prior to the initial imposition of the Tax, the City Council shall adopt a further exemption that applies to "distressed homeowners."