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APPROVED AS TO FORM AND LEGALITY


CITY ATTORNEY'S OFFICE

OAKLAND CITY COUNCIL

RESOLUTION NO. 89193 C.M.S.

INTRODUCED BY COUNCIL MEMBER DAN KALB AND COUNCIL PRESIDENT
NIKKI FORTUNATO BAS

RESOLUTION IN SUPPORT OF STATE ASSEMBLY BILL 1771 (WARD), THE CALIFORNIA HOUSING SPECULATION ACT, WHICH WOULD FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 2023 IMPOSE AN ADDITIONAL 25% TAX ON THAT PORTION OF A QUALIFIED TAXPAYER'S NET CAPITAL GAIN FROM THE SALE OR EXCHANGE OF RESIDENTIAL PROPERTY, AS DEFINED, AND REDUCE THOSE TAXES DEPENDING ON HOW MANY YEARS HAVE PASSED SINCE THE INITIAL PURCHASE

WHEREAS, according to the California Association of Realtors' quarterly index, California's median price for a single-family home increased 17 percent to \$814,580 in the third quarter of 2021 while near-record lows of 42 percent of Californians could meet home-buying qualification standards. Further, prices of condominiums and townhomes are at an all-time high, reaching an average of \$620,000 in November 2021 or 19.2 percent over 12 months; and

WHEREAS, during the same period, market analysis estimates that investor-buyers represented approximately 51 percent *growth of sales year over year from 2020 to 2021* of sales in southern California alone, compared to a national average of 18 percent; and

WHEREAS, individual homebuyers find it increasingly difficult to obtain a home because cash-rich investor-buyers have added additional demand for housing, even as supply has remained the same, causing home prices to skyrocket. Additionally, direct competition from investor-buyers, often presenting cash-only offers or higher offers, is further shutting out opportunity for middle- and lower-income Californians to buy a home; and

WHEREAS, short-term speculative transactions, allowed unchecked, contribute significantly to higher housing costs for all and has negative social and economic consequences; and

WHEREAS, a reasonable control mechanism should be enacted to discourage real estate as a short-term equity gain mechanism by capturing excessive property value increases, thereby increasing the risk to investors and redirecting their interest from investing in real estate to investments in other assets; and

WHEREAS, funds generated through this equity recapture should be directed to local governments, schools, and affordable housing purposes for general benefit to offset the negative consequences of short-term speculation; and

WHEREAS, the California Housing Speculation Act (the "Act") would, for each taxable year beginning on or after January 1, 2023, impose an additional 25 percent tax on that portion of a qualified taxpayer's net capital gain generated as a result of the sale or exchange of residential property, as defined; and

WHEREAS, the Act would reduce those taxes depending on how many years has passed since the initial purchase; and

WHEREAS, the Act would provide that after the third year of the original purchase, the tax would be reduced by 20% until it is reduced to 100% by year seven; and

WHEREAS, the Act would provide that the tax shall be exempted for first-time home buyers, active military personnel, sites providing affordable housing, sites where the same owner is listed on the total property or a part of a divided property, undevelopable, open space or vacated space; and

WHEREAS, the Act would provide that a qualified taxpayer shall not include any active duty military personnel or a decedent; and

WHEREAS, the Act would create the Speculation Recapture Community Reinvestment Fund (the "Fund") and require that generated funds be deposited in the Fund and allocated to counties to create affordable housing, school districts, and to cities and unincorporated areas for community infrastructure; now, therefore, be it

RESOLVED: That the Oakland City Council supports AB 1771, the California Housing Speculation Act, and hereby endorses AB 1771 and urges the California State Legislature and Governor Gavin Newsom to support its enactment into law; and be it

FURTHER RESOLVED: That the City Council directs the City Administrator or his designee to distribute this Resolution upon its adoption to Governor Gavin Newsom, State Assembly Member Gabriel, and state legislators representing the City of Oakland.

IN COUNCIL, OAKLAND, CALIFORNIA,

MAY 17 2022

PASSED BY THE FOLLOWING VOTE:

AYES - FIFE, GALLO, KALB, KAPLAN, REID, TAYLOR, THAO AND
PRESIDENT FORTUNATO BAS - 8

NOES - 0

ABSENT - 0

ABSTENTION - 0

ATTEST:



ASHA REED

City Clerk and Clerk of the Council of the
City of Oakland, California