

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: DAVID GOUIN, DIRECTOR OF HOUSING AND COMMUNITY SERVICES  
CHUCK MCBRIDE, CHIEF FINANCIAL OFFICER

SUBJECT: REAL PROPERTY TRANSFER TAX: DESIGNATION OF FUNDING FOR HOMELESS AND AFFORDABLE HOUSING PROGRAMS REAL PROPERTY TRANSFER TAX AND AMENDMENT OF COUNCIL POLICY NO. 000-48 – POLICY TO DESIGNATE GENERAL FUND FUNDING FOR HOMELESS AND AFFORDABLE HOUSING PRODUCTION

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

This item provides the City Council with an opportunity to consider an amendment to City Council Policy No. 000-48 (Policy to Designate General Fund Funding for Homeless and Affordable Housing Production) to adjust the amount of Real Property Transfer Tax funding to be designated for homeless and affordable housing programs.

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EXECUTIVE SUMMARY

The City currently receives approximately \$4 million each fiscal year from the Real Property Transfer Tax (RPTT). This money is placed into the City's General Fund to fund general city services. Currently, under Council Policy No. 000-48, twenty-five percent (25%) of the RPTT funds are designated to be used by the Housing and Community Services Department for homeless and affordable housing programs. This item provides the Council with the opportunity to consider adjusting the amount of the designation for homeless and affordable housing programs.

BACKGROUND

The City is facing a housing and homelessness crisis. To address that crisis, the City is undertaking strong new policies and programs to facilitate affordable residential development and to assist in securing permanent housing for those currently experiencing homelessness. Those efforts require significant funding, yet the City is

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facing severe budget constraints. To assist in moving forward the City's efforts, it has been proposed that the Council increase the amount of Real Property Transfer Tax funds designated for homeless and affordable housing programs.

The Real Property Transfer Tax (RPTT) is a tax imposed on the transfer of real property from one person or entity to another. The tax is based on the property's sales price and is due at the time of property transfer.

The amount of the tax varies by jurisdiction. In incorporated areas, the tax will generally include both a city and a county component. In the City of Santa Rosa, the City's RPTT is \$2.00 per \$1,000 of property value, and the County's is \$1.10 per \$1,000 of property value, for a combined total of \$3.10 per \$1000 of property value. Thus, for example, the sale of real property for \$100,000 will result in a combined Real Property Transfer Tax of \$310.

The City receives approximately \$4 million annually from the RPTT. The money is placed in the City's General Fund for general City purposes. Pursuant to Council Policy No. 000-48, as amended in 2016 (attached hereto as Attachment 1), an amount equal to twenty-five percent of the funds received from the RPTT is designated to be used by the Department of Housing and Community Services for homeless and affordable housing programs. In FY 2017-18, the dollar amount of that designation was \$1.1 million, although the General Fund made additional contributions to these programs that doubled this amount. Under the express terms of Policy No. 000-48, the Council is and remains free to make additional appropriations for homeless and affordable housing programs as it sees fit. Indeed, in recent years, it has been common for the Council to approve such additional appropriations.

A proposal has been made to amend Council Policy No. 000-48 to increase the amount of the required RPTT designation for homeless and affordable housing programs. To give time for corresponding adjustments in other General Fund programs, it has been suggested that the increase be phased in over time, with a 5% increase each year cumulative, until 100% of the RPTT funds are allocated to homeless and affordable housing programs by Fiscal Year 2034/2035. (See Attachment 2)

#### PRIOR CITY COUNCIL REVIEW

On February 3, 2004, the City Council adopted Resolution No. 25883, establishing Council Policy No. 000-48, directing that any RPTT receipts over \$3,114,000 be transferred from the City's general fund revenues to the Housing Trust.

On January 3, 2006, the City Council adopted Resolution No. 26464, amending Council Policy No. 000-48, to require that an amount equal to twenty percent (20%) of all RPTT receipts be designated to the Department of Economic Development and Housing (now Housing and Community Services) to be used for homeless and affordable housing programs. Reference to the transfer of RPTT funds to the Housing Trust was deleted at

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that time.

On September 20, 2016, the City Council adopted Resolution No. 28860, amending Council Policy No. 000-48 and increasing the designation to an amount equal to twenty-five percent (25%) of all RPTT funds received by the City.

On July 11, 2017, a report was brought forward to Council with a recommendation that the Council, by resolution, adopt a policy to increase the annual appropriation of Real Property Transfer Tax (RPTT) to the Affordable Housing Trust Fund in the amount of five percent (5%) each fiscal year, beginning FY 2018-19 and ending FY 2032-33. At that time, a motion was made and seconded to refer the matter to the Long Term Financial Policy Committee and to bring the item back to the Council at a future meeting date.

### ANALYSIS

By designating a portion of RPTT funds for homeless and affordable housing programs, Council Policy No. 000-48 sets a minimum level of funding for those programs. Any adjustment in the percentage set forth in the Policy will adjust that mandated minimum. Council will remain free, as it is now, to allocate additional funding as it may deem appropriate.

The schedule of increases proposed in Attachment 2 would ensure (and require) increasing annual funding for homeless and affordable housing programs for the next 15 years, until the maximum of 100% of the RPTT revenues are set aside for those programs.

### FISCAL IMPACT

Transfer of additional real property transfer tax to homeless and housing programs may result in reduction of other general fund services.

### ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Current Council Policy No. 000-48
- Attachment 2 – Proposed Schedule of Increases
- Attachment 3 – Proposed Amended Council Policy No. 000-48
- Resolution

CONTACT

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