



SECOND PUBLIC HEARING
CITY CHARTER &
COMMERCIAL REAL
PROPERTY TRANSFER TAX

CITY COUNCIL MEETING

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July 12, 2022



Objective

- ❖ Background
- ❖ Recap
 - ❖ Establishing a Charter City
 - ❖ Definition of “Commercial Property”
 - ❖ Potential Transfer Tax Rates
- ❖ Timeline
- ❖ Council Discussion and Action to Place Charter City on November 2022 Ballot



Background

- October 26, 2021
 - Council directed staff to research and provide options for several potential measures on the November 2022 ballot
 - Including...*
 - *Establishment of a City Charter and a Commercial Property Transfer Tax as a combined measure*



Public Engagement

Public Engagement on a potential City Charter & Commercial Property Transfer Tax...

1. Five (5) Public City Council Meetings Between March – August 2022
2. Citywide information mailer
3. City webpage to convey information on the proposed City Charter and Transfer Tax that includes prior staff reports, presentations and the Zoom links for all upcoming meetings on the topics. The webpage can be found at www.sanbruno.ca.gov/CharterCity
4. Social media posts and a City Manager eNewsletter article



Background – Fiscal Sustainability

- ❖ 2019 - City launched a **Comprehensive Fiscal Sustainability Project**
 - ❖ Seeks to improve the City's fiscal condition so that there is sufficient annual and long-term funds to provide high quality City services as well as maintain and replace infrastructure.
 - ❖ Project remains active
 - ❖ City has already implemented numerous expenditure controls, revenue enhancements, and cost shifts from the General Fund to new or more stable funding sources.

- ❖ Despite the many successful efforts undertaken through of the Comprehensive Fiscal Sustainability Project, the remaining fiscal challenges that face the City of San Bruno are significant.
 - ❖ This is true with respect to
 - ❖ annual/on-going financial need for City programs and services...as well as
 - ❖ money needed to maintain and replace critical public infrastructure.



Establishing a City Charter

- General law vs. charter cities: what are the differences?
 - Only charter cities can impose a real property transfer tax
 - Other differences
- City Council can draft charter
 - Requires two public hearings and vote of the people at statewide general election; majority vote required to adopt
 - On March 29, 2022, the City Council directed staff to develop “simple” charter with integrated commercial real property transfer tax



Commercial Property Details

- Features of a commercial real property transfer tax
 - Paid only upon sale of property
 - Can be negotiated between buyer and seller

- Definition Used in the Draft Tax Ordinance
 - Commercial Property (office building, hotel, retail structure, etc.)
 - Industrial Property (warehouses, manufacturing building, etc.)
 - Commercial Residential/Multifamily Housing of 5 units or greater
 - Planned Unit Development by Residential Developers
 - Vacant Land



Recommended Transfer Tax Rates

- Staff recommends a 1% tax rate

- Structure:
 - Residential: only applies to 5-plexes and above (meaning all single-family homes through 4-plex buildings are exempt)
 - Commercial and all other property types: All properties pay 1%

- Estimated Annual Revenue
 - *\$1.1M annually*
 - *Commercial Residential (5-plex+) = \$294,000 annually*
 - *Other Commercial Property Types = \$785,000 annually*



Exercising Charter City Powers

- A charter city has the power to regulate all “municipal affairs.”

- Limits on a charter city’s powers are:
 - (i) the city’s charter
 - (ii) the California Constitution, and
 - (iii) the United States Constitution.



- Constitutional limits on cities' revenue powers:
 - Proposition 13
 - Proposition 218
 - Proposition 26



What Is A Municipal Affair?

- Examples:
 - Public Contracts
 - Prevailing Wages
 - Bonds
 - Assessments



What Is Not A Municipal Affair?

- Examples:
 - Educational school systems
 - Traffic and vehicle regulations
 - Tort claims against a governmental entity
 - The Ralph M. Brown Act open meetings law
 - The Meyers-Milias-Brown Act regarding employee organization
 - The California Environmental Quality Act
 - The Public Records Act
 - Annexations
 - The exercise of the eminent domain power
 - Licensing of members of a trade or profession



Further Limit Council Powers?

- ❖ On June 7 and June 28, City Council discussed the option of amending the draft Charter to limit its powers.
- ❖ Staff has provided an Alternative City Charter for consideration
- ❖ Attachment 4: Draft Alternative Charter

“...Limitation on Powers. (a)The City shall exercise only the rights, powers and authority granted to a city under the general laws of the State of California, unless otherwise provided in this Charter...”



Timeline

❖ Public Hearings & Study Session

❖ ~~1st Hearing – June 7~~

❖ ~~Study Session – June 28~~

❖ 2nd Hearing Scheduled for July 12 (*this evening*)

❖ 21 days must elapse between the 2nd public hearing and the Council's decision

❖ City Council will need to schedule a special meeting on **August 3** for final authorization of ballot measures

❖ Deadline for submitting ballot measures for the November 8 election is August 12



Council Discussion

- ❖ Council Questions on Presentation
- ❖ Public Comment
- ❖ Council Discussion / Direction on Proposed Charter Measure to the San Bruno Voters at the November 2022 Election
 - ❖ Including an Integral Commercial Real Property Transfer Tax

Questions and Discussion

