

Memorandum

To: Darryl Rutherford, Executive Director, Sacramento Housing Alliance
From: Janet Smith-Heimer, Special Projects Advisor, BAE Urban Economics
Date: January 29, 2017
Re: Permanent Funding Sources for Affordable Housing in the City/County of Sacramento

Introduction

This memorandum profiles potential mechanisms that could be adopted by the City of Sacramento and / or Sacramento County to provide a permanent source of affordable housing funds. The need to generate permanent funds from one or more steady, reliable sources is critical, due to both a crisis in housing affordability, as well as declines in traditional federal, state, and local (redevelopment) funds.

Funding mechanisms profiled in this memorandum include initiating a sales tax measure, charging a “luxury” tax on dining and bar purchases, adopting a document recording fee surcharge, issuing general obligation bonds, imposing an entertainment ticket surcharge, increasing the transient occupancy tax, and increasing the existing real estate transfer tax. For each mechanism, this memorandum provides a brief overview, identifies examples of its utilization in other California counties and cities as available, and describes additional policy considerations if implementation were pursued.

The funding source profiles also include estimates of potential revenue that Sacramento County and/or the City of Sacramento could anticipate annually from each source if implemented. Using available data and conservative assumptions, BAE modeled revenue projections for both geographies.

Key Policy Consideration: Right to Vote on Taxes Act

During review of this memorandum, it is important to consider the effect of Proposition 218 (Right to Vote on Taxes) on creating a permanent funding source if dedicated to affordable housing. In 1996, California voters passed Proposition 218, which added article 13C and 13D to the California Constitution, establishing requirements for voter approval of local ballot measures proposing to levy additional taxes, depending on whether the tax is a “general purpose tax” or a “special tax.”. As described in Section 1 of Article 13C of the California Constitution, a general tax is imposed for general governmental purposes, whereas a “special tax” is a tax whose revenues are designated for a specific purpose, even if placed into a General Fund. General purpose taxes require a simple majority to win voter approval, whereas

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special taxes require a two-thirds voter approval.¹² Therefore, while simple majority approval would be needed to increase taxes to raise funds for a range of services, a two-thirds approval by registered voters is required to levy a special tax whose revenues are dedicated solely to affordable housing and can not be reprogrammed to meet other needs.

Summary of Funding Mechanisms

The table on the following page summarizes the findings of this memorandum. As indicated, General Obligation bonds for affordable housing would generate the largest amount of funding for affordable housing. The large amount of one-time funds generated by this mechanism can be leveraged with other funding sources to create a more robust affordable housing production and renovation program across all income levels, depending on how the expenditure program is structured. However, these funds are notably one-time bond proceeds, not a permanent source of funding.

A countywide sales tax increase also has the potential to generate substantial funds, especially if implemented as a 0.5 percent increase (increasing the County rate to 8.5 percent and the City rate to 9.0 percent). This approach would generate approximately \$95 million per year if implemented countywide. However, in addition to requiring a 2/3rds approval by voters, this approach has the disadvantage of impacting all income levels, including households needing affordable housing, making it more regressive than other mechanisms. Sales taxes applied to just “luxury” activities such as full-service dining and bar purchases would reduce the regressive nature of the sales tax, and could still generate a substantial nearly \$29 million per year if implemented countywide.

Real estate transfer taxes can also generate substantial amounts of re-occurring revenue, and have the additional benefit of charging both residential and non-residential property owners to support affordable housing, while only residents vote on this mechanism. If the increase in transfer taxes were implemented within the City, it could generate \$11.6 million per year or more (but would fluctuate if real estate markets slowed down). This mechanism can not be implemented in the County due to state restrictions.

TOT taxes and entertainment ticket surcharges would each yield more limited funds, and may have other impacts on economic development objectives. Document recordation fees would also yield limited funds.³

¹ California Constitution Article 13C [Voter Approval for Local Tax Levies]. Section 1 (a)-(d). http://www.leginfo.ca.gov/const/article_13C.

² California Constitution Article 13C [Voter Approval for Local Tax Levies]. Section 2(b)-(c). http://www.leginfo.ca.gov/const/article_13C.

³ BAE discussed the adoption process for this fee with Sacramento County recorder, and conducted a web search, but no clear finding was possible. This type of fee increase may require state legislation.

TABLE 1: SUMMARY OF POTENTIAL AFFORDABLE HOUSING FUNDING MECHANISMS

One-Time Revenue	Potential City Revenue		Potential Countywide Revenue		California	Examples
	Low	High	Low	High	Voter Approval	
General Obligation Bond <i>(repaid by prop tax assessment)</i>	\$67,555,656	\$87,822,353	\$235,384,566	\$305,999,936	2/3	Santa Clara County - Measure A (2016) - \$950 million affordable housing bond. Approved by 2/3rds vote. Alameda County - Measure A1 (2016) - \$580 million affordable housing bond. Approved by 2/3rds vote. City of Los Angeles - Measure HHH (2016) - \$1.2 billion to combat homelessness. Approved by 2/3rds vote.
Re-Occuring Revenue (Annually)	Potential City Revenue		Potential Countywide Revenue			Examples
	Low	High	Low	High		
Sales Tax Increase	\$13,639,042	\$27,278,084	\$47,578,569	\$95,157,137	2/3 if dedicated 50% +1 if general	City of Santa Monica - Measure GSH (2016)- 0.5% trans and use tax (approved) San Mateo County - Measure K (2016) - extension of 0.5% general sales tax (approved by simple majority due to other services included)
Restaurant/Bar Tax	\$ 7,629,324	\$ 11,443,986	\$18,562,317	\$27,843,475	2/3 if dedicated 50% +1 if general	Miami-Dade County Restaurant Tax (1993) - 1% Restaurant Tax City of Omaha, Nebraska Restaurant Tax (2010) - 2.5% Restaurant Tax
Entertainment Ticket Surcharge <i>(estimated for City only; County info not available)</i>	\$ 2,253,620	\$ 5,634,050	NA	NA	2/3 if dedicated 50% +1 if general	City of Oakland - Raiders charge \$1.00 per ticket, 1/3rd goes to City, 1/3rd to County, and 1/3rd kept by Raiders. City of Duluth (MN) - City received 19 % of certain casino revenues for infrastructure, later rededicated to affordable housing. Legal challenge terminated it.
Transient Occupancy Tax	\$1,746,998	\$3,493,996	\$377,838 (for unincorporated County only)	\$755,676	2/3 if dedicated 50% +1 if general	City of Healdsburg - Measure S (2016) - 2% TOT increase dedicated to affordable housing. Approved by 2/3rds vote. City of Oakland - Measure C (2009) - 3% TOT increase for Convention & Visitors Bureau. Approved by 2/3rds vote.
Real Estate Transfer Tax <i>(aka Documentary Transfer Tax in Sacramento)</i>	\$2,314,182	\$11,570,909	NA	NA	2/3 if dedicated 50% +1 if general	City of Emeryville - Measure V (2014) - \$12.00 transfer tax for several services. Approved by simple majority vote City of Santa Monica - Measure H (2014) - \$9.00 transfer tax for several services. Defeated by simple majority vote
Document Recordation Fee Increase <i>(for real estate-related documents only)</i>	not collected by city		\$ 1,880,429	\$ 3,760,858	May require state legislation Legal research needed	State of California proposed \$75 fee (failed in legislature) Oregon Counties collect \$20 surcharge for affordable housing and homelessness prevention.

Source: BAE, 2017.

General Obligation Bonds (One-Time Revenue)

Overview of Mechanism

General obligation (GO) bonds issued by governmental entities can be strategically employed to raise a significant amount of one-time funds for general or specific purposes, including affordable housing. GO bonds are secured by a governmental entity's full faith and credit to make routine payments to retire the debt, with interest, over a specific term (e.g. 20 – 30 years.).

In California, the legislation governing general obligation bonds can be found in the California Government Code §53506. To ensure General Fund resources are not burdened by GO Bonds, cities and counties must charge new property taxes to repay these bonds. These property taxes are not subject to Proposition 13 limitations, but the California Constitution does place an overall limit on the amount of outstanding GO debt (limited to 1.25 percent of assessed real and personal property value for counties, and 15 percent for cities).

California law requires a 2/3rds vote to approve issuance of GO bonds by cities and counties. Proposition 39 allowed this requirement to drop to a 55 percent voter approval for school district-issued GO bonds.

Current Status of Sacramento City/County

Neither Sacramento City or County have outstanding General Obligation bonds at present. However, both the City and County have other types of outstanding bonded indebtedness, and, as a result, are sensitive to the impact of any new debt obligations on overall debt margins, a metric which affects municipal credit ratings.⁴ This metric is utilized by credit rating agencies, which evaluate each debt issuance per various industry ratios to establish the investment quality of each bond when going to the private capital market. Most well-managed California jurisdictions are very mindful of these factors, and seek to limit debt (and bond issuance) to maintain a high credit rating. For example, as quoted in a 2015 Sacramento Bee article regarding the City's debt:

*The treasurer said taking on more debt could lead to a credit rating downgrade, resulting in higher payments when new bonds are issued. The city's overall credit rating is considered solid at AA- and its rating for revenue bonds is either A+ or A, depending on the rating agency, Fehr said. "There isn't this line or number where you can borrow up to that and then you have to stop borrowing," he said. "But the council is going to have to set priorities on which projects it wants to do in terms of using the city's debt capacity."*⁵

⁴ Interview with Brian Wong, Debt Manager, City of Sacramento Office of the Treasurer. 11/17/16.

⁵ "Sacramento treasurer: Arena borrowing solid, but city near debt limit," Sacramento Bee, January 27, 2015.

Examples: General Obligation Bonds for Affordable Housing

The November 2016 election in California was an historic date for large local bond measures targeting affordable housing and related housing needs, as profiled below.

- **Santa Clara County Affordable Housing Bond.** The Board of Supervisors placed the Santa Clara County Affordable Housing Bond Measure A 2016 to issue a \$950 million General Obligation bond, on the November 2016 ballot. The measure was approved by more than 2/3rds of voters in the November 8, 2016 election. The Affordable Housing bond will provide affordable housing “for vulnerable populations, including supportive housing services for those suffering from mental health and substance abuse issues.” The County estimates that the proceeds from the bonds will support the creation and/or preservation of approximately 5,000 affordable housing units. Bonds will be issued in three installments in 2017, 2021, and 2025, and will be repaid by a special property tax, ranging from \$10.76 to \$12.66 per \$100,000 of assessed value of taxable property.⁶
- **Alameda County Measure A1.** The Alameda County Board of Supervisors placed a \$540 million General Obligation bond on the November 2016 ballot to provide up to 8,500 units of affordable local rental housing and housing for the homeless.⁷ This initiative was approved by more than 78 percent of voters on November 8, 2016. The bonds are expected to be issued in three series in 2017, 2021, and 2023. Funds for payment will be generated by a special property tax charged at \$12.50 - \$13.90 per \$100,000 of assessed property value.
- **City of Los Angeles Proposition HHH.** In November 2016, more than 2/3rds of voters in the City of Los Angeles approved Proposition HHH, a \$1.2 billion General Obligation bond measure to provide affordable housing for currently homeless individuals and families and those at risk of becoming homeless. It is estimated that bond proceeds will provide funding for the construction of 8,000 to 10,000 affordable housing units. The bonds will be repaid through a tax on real property, at an average annual rate of \$9.64 per \$100,000 of assessed property value.⁸

⁶ Santa Clara County, “Santa Clara County Affordable Housing Bond – Measure A 2016.” <https://www.sccgov.org/sites/scc/Pages/Affordable-Housing-Bond-Measure-A.aspx>.

⁷ Alameda County, “County Counsel’s Impartial Analysis of Measure A1.” June 2016. <https://www.acgov.org/rov/elections/20161108/documents/BondMeasureA1.pdf>.

⁸ Los Angeles Area Chamber of Commerce, “Measure HHH Homelessness Reduction and Preservation, Housing and Facilities Bond.” <http://www.lachamber.com/advocacy/measure-hhh/>

Estimated Revenue for Sacramento City/County

The table below estimates a range of potential funds that could be raised by issuing a GO Bond for either just the City of Sacramento, or for the entire County. The estimate should be considered very preliminary; it does not consider bond issuance costs, phased issuance, or other factors which will lower bond proceeds, nor does it estimate future increases in assessed value to which the property tax increase would be applied.

TABLE 2: ESTIMATED REVENUE - GENERAL OBLIGATION BOND FOR AFFORDABLE HOUSING (ONE-TIME)

Preliminary estimate

	City of Sacramento		County of Sacramento	
	Low	High	Low	High
Assessed Value for Property Taxes (a)	\$ 39,067,503,000	\$ 39,067,503,000	\$136,123,128,000	\$136,123,128,000
General Obligation Bond Capacity (b)	\$5,860,125,450	\$5,860,125,450	\$1,701,539,100	\$1,701,539,100
Tax Rate Increase (c)	0.010%	0.013%	0.010%	0.013%
Tax Revenue for Annual Debt Service (d)	\$ 3,906,750	\$ 5,078,775	\$ 13,612,313	\$ 17,696,007
Amount of Potential Bond (e)	\$ 67,555,656	\$ 87,822,353	\$ 235,384,566	\$ 305,999,936
<i>% of Capacity</i>	<i>1.15%</i>	<i>1.50%</i>	<i>13.83%</i>	<i>17.98%</i>

This is a preliminary estimate, and may change based on further refined analysis.

a) Assessed Value for City from FY 2014-15 Comprehensive Annual Financial Report (CAFR).

Assessed Value for County from 2015-16 Comprehensive Annual Financial Report (CAFR)

Numbers shown are total net "tax value" and includes secured, unsecured, and personal property net of exemptions.

Actual assessed value for purposes of debt capacity may vary slightly; this estimate should be considered as potentially slightly overstate. Also, this data increases roughly 3 to 5% per year, depending on property turnover and new assessed values.

b) GO Bond limit per California law is 15% of assessed value for cities, and 1.25% of assessed value for County.

c) Assumed property tax rate based on range charged in recent Bay Area successful GO Bond measures for affordable housing.

d) Tax Revenue for Annual Debt Service generated by applying the tax rate.

e) Bond amount based on debt service available for a 30-year tax exempt bond at 4.0% interest rate. Does not include issuance costs.

Sources: City of Sacramento CAFR 2014-15; County CAFR 2015-16; BAE, 2016.

Sales and Use Taxes

Overview of Mechanism

Sales and use taxes generate a significant amount of revenue for state and local governments. In California, restaurant and takeout food, gasoline, furniture, household equipment, vehicles, clothing, and most other retail purchases except groceries are generally subject to sales tax.⁹ Other non-retail transactions between businesses are also taxed.

The State of California has a base sales tax rate of 7.5 percent, of which roughly 1.0 percent is returned to the city or county in which the purchase occurred. A city or county may increase local sales tax rates above the statewide base tax rate to raise revenues for local services or capital projects, including affordable housing.¹⁰ As a result, sales tax rates vary among cities and counties across the state, from 7.5 to 10 percent. The average sales tax rate among all cities and counties in California is 8.5 percent.¹¹

Current Status of Sacramento City/County

Current sales tax rates for the City and County of Sacramento are itemized below.

TABLE 3: CITY AND COUNTY OF SACRAMENTO SALES TAX RATES (2016)

State Base Rate (Allocations)	
State (General Fund)	3.94%
State (Fiscal Recovery Fund)	0.25%
State (Local Revenue Fund - 1991)	0.50%
State (Local Revenue Fund - 2011)	1.06%
Local (County Transportation Funds)	0.25%
Local (County or City Operations)	0.75%
State Total Base Rate	7.50%
Additional County of Sacramento Rate (a)	
Local (Measure A)	0.50%
Total Sacramento County Rate	8.00%
Additional City of Sacramento Rate	
Local (Measure U)	0.50%
Total City of Sacramento Rate	8.50%

Note:

(a) Does not include Measure B, Nov 2016 votes still being counted.
Would add .5 % to countywide rate.

Sources: CA State Board of Equalization, 2016;
City of Sacramento, 2016; BAE, 2016.

⁹ Legislative Analyst's Office, "Understanding California's Sales Tax." May 5, 2015.

<http://www.lao.ca.gov/reports/2015/finance/sales-tax/understanding-sales-tax-050615.aspx>.

¹⁰ For a comprehensive list of goods exempt from the sales and use tax, see: California State Board of Equalization, "Publication 61: Sales and Use Taxes: Exemptions and Exclusions." <http://www.boe.ca.gov/pdf/pub61.pdf>.

¹¹ Legislative Analyst's Office, "Understanding California's Sales Tax." May 5, 2015.

<http://www.lao.ca.gov/reports/2015/finance/sales-tax/understanding-sales-tax-050615.aspx>.

The rates vary in the City and the County due to several additional local tax measures. In 1989, Sacramento County raised the countywide sales tax rate by 0.5 percent through Measure A (applies to all sales including those occurring within cities of the County, meaning that the sales tax rate throughout the County is at least 8.0 percent. In addition, in 2013, the City of Sacramento's Measure U raised the sales tax rate another 0.5 percent for purchases made inside the City, for a total sales tax rate of 8.5 percent in the City of Sacramento. The cities of Galt, Isleton, and Rancho Cordova, also located in Sacramento County, have also raised their local rates by 0.5 percent through local measures, meaning that purchases are also taxed at a rate of 8.5 percent in those cities.

In the City of Sacramento, sales tax revenue for the current FY 2016-17 budget year is forecasted at \$74.5 million, which would constitute approximately 17 percent of the City's anticipated General Fund.¹² In Sacramento County, the FY 2016-17 budget anticipates \$78.7 million in sales tax revenue, which would comprise approximately 3.3 percent of the County's General Fund.¹³

The proposed County Measure B, would have raised the sales tax rate on all purchases countywide by 0.5 percent to fund transportation projects throughout Sacramento County. This measure was defeated by voters in November 2016, falling just short of the 2/3rds approval needed.

Examples: Sales Tax for Affordable Housing

The following provides examples from other locations which have used local sales tax measures to fund affordable housing.

- **San Mateo County Sales Tax Increase.** In 2012, San Mateo County voters approved Measure A, a countywide half-cent (0.5%) general sales tax to support public safety, mental health, education, housing, environment, veteran, and other community services. Voters approved the increase, resulting in a County sales tax rate of 9.0 percent. Measure A funds have been used to support the acquisition and rehabilitation of affordable housing units, and as a debt source fund new affordable housing units in the County. Since its adoption, Measure A has generated approximately \$80 million annually for the County.^{14,15} Because this measure would have sunset in 2023, the County placed Measure K, a 20-

¹² City of Sacramento, "FY 2016/17 Approved Budget." 2016.

<http://www.cityofsacramento.org/Finance/Budget/Approved-Budget>. Page 49.

¹³ "Sacramento County Budget Information,"

<http://www.ofm.saccounty.net/FY201617BudgetInformation/Documents/16-17AdoptedBudget/GeneralBudgetInfo.pdf> Page A-10.

¹⁴ County of San Mateo County Manager's Office, "San Mateo County Board of Supervisors Places Sales Tax Extension on Ballot." July 26, 2016. <http://cmo.smcgov.org/blog/2016-07-26/san-mateo-county-board-supervisors-places-sales-tax-extension-ballot>.

¹⁵ <http://www.mercurynews.com/2016/08/03/san-mateo-county-20-year-measure-a-extension-placed-on-ballot/>

year extension, on the November 2016 ballot. This measure was passed by a simple majority of voters in 2016.

- City of Santa Monica Sales Tax Increase.** The Santa Monica City Council placed Measure GSH, a sales tax increase, on the ballot for voter approval in November, 2016. This measure was designed to “maintain and improve Santa Monica community services including support for preservation of affordable housing, reducing homelessness, school repair and improvement, education of Santa Monica children and students, and other general fund services.”¹⁶ The half-cent (0.5%) sales tax increase, which will result in a total sales tax rate to 10 percent, is anticipated to raise approximately \$16 million annually, with all funds paid into the City’s General Fund.¹⁷ The ballot measure was approved by a simple majority in November, 2016.

Estimated Revenue for Sacramento City/County

To estimate potential revenue from this mechanism, taxable sales data for the City and County of Sacramento for the past five years (2010-2014)¹⁸ was compiled and averaged by BAE. Next, a range of tax rate increase, from 0.25 to 0.5 percent, was estimated based on the level utilized by the examples of other California cities cited above. This analysis yields a potential annual revenue to the City of Sacramento of an additional \$13.6 to \$27.2 million, and if applied countywide, an estimated additional \$47.6 to \$95.1 million.

TABLE 4: ESTIMATED REVENUE - SALES TAX INCREASE (ANNUAL)

	City of Sacramento		County of Sacramento (countywide)	
	Low	High	Low	High
Additional Tax Rate For Housing (a)	0.25%	0.50%	0.25%	0.50%
Average Taxable Sales 2010-2014 (a)	\$ 5,455,616,844	\$ 5,455,616,844	\$ 19,031,427,467	\$ 19,031,427,467
Additional Sales Tax Revenue	\$ 13,639,042	\$ 27,278,084	\$ 47,578,569	\$ 95,157,137

a) Average taxable sales based on SBOE data (in \$1000s)

	Countywide Taxable	
	City Taxable Sales	Sales (Total)
2010	\$4,947,448	\$16,904,528
2011	\$5,291,975	\$18,003,765
2012	\$5,471,319	\$19,089,848
2013	\$5,704,121	\$20,097,095
2014	\$5,863,222	\$21,061,901
Average	\$5,455,617	\$19,031,427

Sources: State Board of Equalization, Table 3 & Table 5, 2010-2014; BAE, 2016.

¹⁶ Santa Monica Vote, “Measure GSH: Full Text of Measure.” <http://www.smvote.org/ballotmeasures/detail.aspx?id=53687094538>.

¹⁷ Santa Monica Vote, “Measure GSH: City Attorney’s Impartial Analysis of Measure GSH.” <http://www.smvote.org/ballotmeasures/detail.aspx?id=53687094538>.

¹⁸ Taxable Sales data has not yet been published for 2015 by SBOE.

Restaurant /Bar “Luxury” Tax

Overview of Mechanism

This funding mechanism would place a surcharge on restaurant and/or bar purchases to fund affordable housing, aligned with the idea that taxing these discretionary expenditures would not be a regressive tax burden on households needing affordable housing.

Current Status of Sacramento City/County

Neither the City of Sacramento or Sacramento County currently levies taxes on specific expenditures such as restaurant meals or bar sales, beyond the general sales taxes outlined in the previous section.

Examples: Restaurant/Bar Taxes

No California examples of this type of funding mechanism for affordable housing were identified for this report. Several other US cities have implemented a surcharge on restaurant meals and bar purchases to fund affordable housing-related programs or more broad categories of government services.

- **Miami-Dade County, Florida Restaurant Tax.** In 1993, Miami-Dade County established a one percent “Homeless and Domestic Violence Tax” on the sale of food and beverages served at establishments licensed to sell alcoholic beverages for on premise consumption. Businesses earning less than \$400,000 in gross receipts are exempt from the tax. The bulk of tax revenues (85 percent) are diverted to the Miami-Dade County Homeless Trust. The remaining 15 percent supports local domestic violence centers.¹⁹ To date, the tax remains a vital source of revenue to assist the homeless. In 2012, the tax generated approximately \$16 million.²⁰
- **City of Omaha, Nebraska Restaurant Tax.** In August 2010, the City of Omaha adopted a Restaurant and Drinking Places Occupational Privilege Tax to “support the government of the City.”²¹ All gross receipts for the sale of food or beverages that are prepared for immediate consumption (including prepared foods sold at grocery stores) are subject to the 2.5 percent tax. The tax does not apply to non-profit organizations exempt from income taxes per the IRS.²² This tax has generated approximately \$29 million annually,

¹⁹ Miami-Dade County Tax Collector, “Tourist and Convention Development Taxes.” Last edited August 15, 2012. <http://www.miamidade.gov/taxcollector/tourist-taxes.asp>.

²⁰ Kate Santich and David Damron, “1% Restaurant Tax Could Be One Way to Help Orlando’s Homeless...” *Orlando Sentinel*. March 28, 2012. http://articles.orlandosentinel.com/2012-03-28/business/os-restaurant-tax-for-homeless-20120328_1_restaurant-tax-miami-dade-tax-homeless-programs.

²¹ City of Omaha, “Ordinance 38-191.” Adopted August 4, 2010.

<http://finance.cityofomaha.org/images/stories/pdfs/Revenue%20pdf/Ordinance%20on%20Restaurant%20Tax.pdf>

²² City of Omaha, “Restaurant and Drinking Places Occupational Privilege Tax.” April 2013.

<http://finance.cityofomaha.org/images/stories/pdfs/Revenue%20pdf/O%20A%20for%20restaurant%20tax%2020130401.pdf>.

representing 3.4 percent of the City's total 2016 budget.²³

Estimated Revenue for Sacramento City/County

BAE compiled taxable sales data for the Food Services and Drinking Places category as reported by the California State Board of Equalization (SBOE) for the past five years (2010-2014) to estimate an annual average.²⁴ Due to limitations on published data at the city level, the estimated revenue shown below is based on an underlying estimate of two subcategories: Full-Service Dining (to approximate the intent of this tax) and Bars. According to published data for Sacramento County, these two subcategories represent approximately 50 percent of taxable sales in the larger Food Services category, and this assumption is used to develop taxable sales at full service restaurants and bars for this scenario. Based on these estimates, a surcharge on full-service dining and bar purchases could generate from \$7.6 to \$11.4 million if applied to City sales, and \$18.5 to \$27.8 million if applied Countywide.

TABLE 5: ESTIMATED REVENUE – “LUXURY” TAX ON FULL-SERVICE DINING & BAR PURCHASES (ANNUAL)

	City of Sacramento		County of Sacramento (Countywide)	
	Low	High	Low	High
Surcharge for Housing	2.00%	3.00%	2.00%	3.00%
Avg. Taxable Sales - Full-Service Restaurants and Bars 2010 - 2014 (a)	\$ 381,466,214	\$ 381,466,214	\$ 928,115,843	\$ 928,115,843
Additional Sales Tax Revenue	\$ 7,629,324	\$ 11,443,986	\$ 18,562,317	\$ 27,843,475

Notes

b) SBOE reports total taxable sales for both City and County in category called Food Services & Drinking Places. This category includes further breakdowns published for the County, including full-service dining and drinking places (alcoholic beverages), which together equal roughly 50% of the Food Services & Drinking Places category. To estimate application of the "luxury" tax it is assumed that just full-service dining and bars would be charged. The other subcategories - limited service dining and special food services (e.g., caterers) - are not included in this estimate. Further actual breakdowns can be obtained by special order from SBOE.

All data shown below in \$1,000s

	City of Sacramento		County of Sacramento	
	Taxable Sales - Food Services & Drinking Places	Estimated Full Service Dining and Drinking Places Only	Taxable Sales - Food Services & Drinking Places	Estimated Full Service Dining and Drinking Places Only
2010	\$687,669	\$343,835	\$1,665,337	\$832,669
2011	\$718,749	\$359,375	\$1,743,327	\$871,664
2012	\$762,531	\$381,265	\$1,854,027	\$927,013
2013	\$796,733	\$398,366	\$1,946,913	\$973,457
2014	\$848,980	\$424,490	\$2,071,554	\$1,035,777
Average	\$762,932	\$381,466	\$1,856,232	\$928,116

Sources: State Board of Equalization, Table 3 & Table 5, 2010-2014; BAE, 2016.

²³ City of Omaha Finance Department, "Revenue Estimates." 2016 Budget. http://finance.cityofomaha.org/images/stories/Budgets/budget2016Adopted/2016_Section_D.pdf.

²⁴ Data for 2015 taxable sales has not yet been published by SBOE.

Entertainment Ticket Surcharge

Overview of Mechanism

Entertainment ticket surcharges are charges added to the base cost of tickets at entertainment venues. Fees or surcharges may be collected by facility operators and remitted to the relevant jurisdiction periodically, depending on specific fee regulations and agreements with venue operators. Surcharges may be established as a dollar amount per ticket, or as a percentage of total ticket revenues.

Current Status of Sacramento City/County

The City of Sacramento is home to three significant entertainment venues: The Entertainment Sports Complex (ESC), the Wells Fargo Pavilion (home to the California Musical Theater, and the Sacramento Convention Center (which consists of the Convention Center, Memorial Auditorium, and Community Center Theater, which is also utilized by the California Musical Theater.)

The existing ESC currently does not impose a ticket surcharge; however, in the past, the Sleep Train arena charged a fee of 5 percent on each ticket to assist in the payment of the arena's loan obligation, remitted to the City monthly.²⁵ Separately, a \$1.00 ticket surcharge on all ESC events has been proposed to fund the Capital Repairs Reserve Fund for the ESC in Downtown Sacramento.²⁶

Examples: Entertainment Ticket Surcharges

The following profiles two examples of this mechanism,

- **City of Oakland.** The City of Oakland adopted the 1995 Master Agreement with the Oakland Raiders in 1995, which placed a \$1.00 ticket surcharge on all tickets sold for Raiders football games. Revenue generated by the ticket surcharge is shared in an equal proportion between three entities: the City of Oakland, Alameda County, and the Raiders. Currently, the City's portion of revenue funds an initiative to introduce Oakland youth to non-traditional sports, including tennis, golf, aquatics, and outdoor recreation. Conceivably, monies could be allocated to affordable housing; however, Oakland's share of revenue for the 2014 season amounted to just roughly \$162,000, a relatively small contribution to the cost of rehabilitating, preserving, and constructing affordable housing.²⁷

²⁵ Interview with Brian Wong, Debt Manager, City of Sacramento Office of the Treasurer. 11/17/16.

²⁶ City of Sacramento City Council Report. March 26, 2013.

http://sacramento.granicus.com/MetaViewer.php?view_id=22&clip_id=3233&meta_id=396799.

²⁷ City of Oakland Life Enrichment Committee, "Agenda Report." November 24, 2015.

<https://oakland.legistar.com/LegislationDetail.aspx?ID=2527320&GUID=20C80AAD-97C5-4F31-A87D-722C3871CF1B&Options=&Search>.

- **City of Duluth, Minnesota.** In the early 2000's, the City of Duluth diverted revenues generated by a revenue sharing agreement between the City and the Fond de Lac casino to fund the City's Housing Investment Fund. Previously, funds from taxes placed on the casino had been used for infrastructure projects, such as repairing city streets. Under the agreement, the Casino was to pay the City 19 percent of specific revenue categories for 25 years. A 2016 news article estimates that the revenue sharing payments generated about \$6 million annually for such projects. Subsequent litigation successfully challenged this arrangement. .²⁸

Estimated Revenue for City/County of Sacramento

This report estimates the potential revenue that could be generated by placing a surcharge on all tickets sold at the ESC, Wells Fargo Pavilion, and the Sacramento Convention Center. Future Sacramento region stadium and arena projects in the pipeline, such as the major-league soccer stadium, may present additional opportunities to levy ticket surcharges to fund affordable housing. Moreover, as highlighted above, the definition of "entertainment venue" could be broadened to include casinos and movie theaters.

To determine the amount of potential revenue that could be generated by ticket surcharges on the ESC, Wells Fargo Pavilion, and Convention Center Complex, the number of annual tickets sold was estimated for each venue based on publicly available data, and multiplied by the assumed surcharge. Additional assumptions are described below.

Entertainment and Sports Complex (Golden1): A 2015 report from the City of Sacramento Finance Department estimated that a 5 percent ticket surcharge would generate approximately \$3.7 million annually.²⁹ BAE used this figure to solve for the estimated total revenue generated by ticket sales. Next, this revenue was divided by the average price of a ticket purchased at the ESC, as reported by Forbes.³⁰

Wells Fargo Pavilion: The primary current tenant of the Wells Fargo Pavilion is the California Musical Theater. In their latest annual report (for the 2008 fiscal year), the California Musical Theater reported a total attendance of 381,986.³¹ BAE assumed that this figure is equivalent to the number of tickets sold.

Convention Center Complex: The City of Sacramento's Convention Center Complex includes

²⁸ Kraker, Dan, "Duluth council approves deal to end 7 years of litigation with Fond du Lac Band." June 10, 2016. <https://www.mprnews.org/story/2016/06/10/duluth-council-approves-fond-du-luth-casino-deal>

²⁹ City of Sacramento City Council Report, "Entertainment and Sports Center." http://sacramento.granicus.com/Viewer.php?view_id=22&clip_id=3233&meta_id=396799.

³⁰ Forbes, "The Business of Basketball." <http://www.forbes.com/teams/sacramento-kings/>.

³¹ California Musical Theater, "2007-2008 Annual Report." <https://www.guidestar.org/PartnerReport.aspx?ein=95-1744392&Partner=Demo>. It is important to note that the attendee figure is for all venues in which the CMT has performances.

the Community Center Theater, which is funded by the City's Enterprise Fund. The City's Fiscal Year 2017 Adopted Budget reports that 297,166 tickets at the Convention Center complex were sold in 2015.³²

As shown below, the City of Sacramento could generate \$2.3 to \$5.6 million if modest surcharges were placed on ticket sales at the three venues analyzed. Sacramento County venues and potential revenues were not estimated in this memorandum, due to lack of available information regarding ticket sales.

TABLE 6: ESTIMATED REVENUE – ENTERTAINMENT TICKET SURCHARGE (ANNUAL)

Venues	City of Sacramento		County of Sacramento (Countywide)	
	Low	High	Low	High
Wells Fargo Pavilion (inc, California Musical Theater) (a)	381,986	381,986		
Convention Center (includes Community Center Theater) (b)	297,166	297,166		
Entertainment and Sports Center (Golden1) (c)	1,574,468	1,574,468		
Total Tickets Sold	2,253,620	2,253,620	NA	NA
Entertainment Surcharge Per Ticket	\$1.00	\$2.50	NA	NA
Annual Revenue from Surcharge	\$ 2,253,620	\$ 5,634,050	NA	NA

Notes:

- a) Estimate based on California Musical Theater's estimated total attendance as reported in 2008 annual report performances, at both the Wells Fargo Pavilion and the Community Center Theater.
- b) Number of tickets for the Convention Center Complex as reported in the City of Sacramento's 2015 Adopted Budget.
- c) Estimated number of tickets based on staff report re: revenue generated by 5% ticket surcharge, and Forbes article re: avg ticket price data for the arena (\$47.00 per ticket.)

Sources: California Musical Theater, 2008; City of Sacramento, 2015; Forbes, City of Sacramento Finance Department, 2016; BAE, 2016.

³² For additional information, see: City of Sacramento Approved Budget Fiscal Year 2016/17 (p. 154.)

Transient Occupancy Tax

Overview of Mechanism

Transient occupancy tax (TOT), a common source of revenue for local governments in California, is regulated by Section 7280 of the California Revenue and Taxation Code and through County and City ordinances. TOT ordinances generally require all operators of hotels, motels, inns, bed and breakfast, lodging houses, and other accommodations rented to transient guests to collect and remit transient occupancy taxes to the city or county in which they are located.

According to the 2015 California Travel Impacts Report published by Dean Runyan Associates, TOT rates among cities and counties in the State of California range from 4 to 15 percent, with an average rate of 11.4 percent.³³

Current Status of Sacramento City/County

Both the City of Sacramento and the County levy a transient occupancy tax of 12 percent on hotel/motel and other lodging facilities.³⁴ Both the City and County also levy the same TOT on short-term rentals such as Airbnb, but regulations differ between the City and the County.

In FY 2015-2016, the City of Sacramento received a total of \$23.8 million of TOT revenue, and allocated these funds as follows: \$19.8 million to the City's Community Center Fund (a sub-fund of the Utilities Enterprise Funds) and approximately \$4.0 million to the City's General Fund.³⁵

In early 2016, the City of Sacramento added Chapter 5.114: Short Term Rentals, to the Sacramento Municipal Code to regulate the short-term rental business models of companies such as Airbnb and VBRO. This regulatory change requires that rentals for less than 30 days adhere to the same rules as other lodging facilities operating in the City. These requirements include collecting / remitting transient occupancy tax (TOT) to the City. City regulations also cap the total number of days per year that a host can rent their privately-held room or unit to a total of 90 days. According to a 2015 staff report, regulation of Airbnb rentals is expected to increase the City's annual TOT revenue, but the staff report did not estimate the amount of this increase.³⁶ Also, due to the recent adoption of these City regulations on short-term

³³ Dean Runyan Associates, "California Travel Impacts by County: 1995-2015." April 2016.

http://www.deanrunyan.com/doc_library/CAImp.pdf.

³⁴ Section 3.08.020.04 of the Sacramento County Municipal Code defines a transient guest as, any person who occupies a room for a period of less than thirty (30) consecutive calendar days, counting portions of calendar days as full days."

³⁵ City of Sacramento, "FY 2016/17 Approved Budget." 2016.

<http://www.cityofsacramento.org/Finance/Budget/Approved-Budget>. Page 62.

³⁶ City of Sacramento, "Ordinances Amending Titles 5 and 17 of the Sacramento Municipal Code..." January 1, 2016. http://sacramento.granicus.com/MetaViewer.php?view_id=22&clip_id=3734&meta_id=455913.

rentals, no actual revenue pattern has yet been established.

Sacramento County's TOT generated an average of approximately \$4 million annually between 2011 and 2015. Per the County's 2015-16 adopted budget, TOT revenues fund recreational and cultural services. Sacramento County adopted a short term ("vacation") rental regulation in 2015, which applies to rentals of less than 30 days, similar to the City. However the County does not cap the number of days per year that a unit can be rented.

Examples: Transient Occupancy Tax (TOT) for Affordable Housing

Two California examples of TOT tax increases for affordable housing funding were identified:

- **City of Healdsburg Housing Measure.** In November 2016, two-thirds of Healdsburg voters approved the Healdsburg Housing Measure, increasing the City's Transient Occupancy Tax from 12 percent to 14 percent to provide additional revenue for affordable housing. The measure required two-thirds voter approval because the funds are earmarked for affordable housing programs and services for households earning up to 160 percent of AMI. The two percent tax increase is expected to generate an additional \$530,000 annually, all of which will be dedicated to affordable housing.³⁷
- **City of Oakland Measure C.** In 2009, two-thirds of Oakland voters approved Measure C, increasing the TOT from 11 percent to 14 percent to provide funding to the Oakland Zoo, Museum of California, Chabot Space and Science Center, cultural arts programs and festivals, and the Oakland Convention and Visitor Bureau.³⁸ In January 2015, citing a housing affordability crisis and historically low vacancy rates, the Oakland City Council adopted a resolution allocating \$350,000 of the City's TOT revenue to the Affordable Housing Trust Fund in each year of the FY 2015-17 adopted budgets.

Estimated Revenue for City/County of Sacramento

Potential revenue from an increase in TOT was estimated by averaging the past five years of TOT and estimating additional revenue that will now be collected from short-term residential rentals such as from Airbnb listings (in City of Sacramento).

To account for future TOT revenue collected from short-term residential rentals, BAE analyzed monthly revenues among Airbnb properties from January through September 2016 as reported by AirDNA, a data source that compiles data on Airbnb rentals. Average monthly revenue for each property type (shared room, private room, entire apartment) were multiplied by September 2016 active Airbnb listings in the City of Sacramento to estimate potential total

³⁷ City of Healdsburg, "Transient Occupancy Tax – City Council Meeting," June 20, 2016. <http://www.ci.healdsburg.ca.us/DocumentCenter/View/6489>.

³⁸ City of Oakland, "Proposed Amended Midcycle Policy Budget for Fiscal Year 2016-17." May 26, 2016.

monthly revenue for all property types. The monthly potential total was then converted to annual potential taxable revenue by assuming that only half of the listing shown would be rented in any given month, multiplied by 12 months. It should also be noted that the City caps any given unit total rental per year to 90 days. This analysis resulted in an estimate of approximately \$4.2 million per year from all short-term residential rentals earned by hosts, which is now taxable. This analysis is preliminary; refinement would require more detailed estimates of occupancy applied to Sacramento Airbnb listings as well as collecting data from other online rental platforms, by room type by month.

For the County, short-term vacation rental taxable rental revenue was not estimated separately due to lack of data from AirDNA for unincorporated areas only. However, it should be noted that the County analysis shown on the next page, uses the most recent year of TOT revenues as a starting point (rather than the 5-year average), due to a jump between 2014 and 2015 which may partially reflect collection of then-new TOT on vacation rentals (regulations adopted in 2015).

As shown on the next page, a TOT rate increase of 1.0 to 2.0 percent for the City would yield approximately \$1.7 to \$3.5 million annually. For the County, the analysis estimated increased TOT revenue from unincorporated areas only, due to local jurisdictions controlling their own TOT rates; under those assumptions, the County would collect less than \$1 million, which is likely not sufficient to pursue for this purpose.

TABLE 7: ESTIMATED REVENUE – INCREASED TRANSIENT OCCUPANCY TAX (ANNUAL)

	City of Sacramento		County of Sacramento (unincorporated only)	
	Low	High	Low	High
Average Lodging Revenues 2011-2015 (a)	\$ 170,465,000	\$ 170,465,000	\$ 37,783,800	\$ 37,783,800
Short-Term Res Rental Revenues (b)(c)	\$ 4,234,825	\$ 4,234,825	\$ -	\$ -
Total Taxable Revenues	\$ 174,699,825	\$ 174,699,825	\$ 37,783,800	\$ 37,783,800
TOT Increase for Affordable Housing	1.0%	2.0%	1.0%	2.0%
Additional TOT Revenue for Affordable Housing	\$ 1,746,998	\$ 3,493,996	\$ 377,838	\$ 755,676

a) Average lodging revenues estimated by dividing published TOT revenues by 12% rate (for both city and county).

Adjusted to 2016 \$s		
	City TOT	County TOT (Unincorp only)
2011	\$18,392,000	\$3,483,409
2012	\$18,879,000	\$3,383,027
2013	\$19,756,000	\$3,876,132
2014	\$21,444,000	\$3,861,712
2015	\$23,808,000	\$4,534,056
<i>Average</i>	<i>\$20,455,800</i>	<i>\$3,827,667</i>

b) Short-term res rental based on analysis of 2016 AirDNA data for City of Sacramento.

Data below shows asking rate per room type (monthly) for January - September 2016 @ 83rd percentile (high end)

Active listings for Sept. 2016 are all listings available on Airbnb site, for which host had kept updated calendar.

Estimate for City shown in table assumes total monthly X 12 months X .50 to account for vacancies and cap on individual unit re of 90 days per year.

Room Type	Monthly Avg.	# of Sept.2016 Active Listings	Total Potential Monthly Avg. Revenue
Shared Room	\$499	8	\$3,992
Private Room	\$1,338	156	\$208,659
Studio	\$2,097	17	\$35,641
1 Room	\$2,577	68	\$175,221
2 Rooms	\$3,419	45	\$153,845
3 Rooms	\$4,053	23	\$93,224
4+ Rooms	\$5,870	6	\$35,222
Total			\$705,804

c) County short term rental rev is not estimated due to data limitations. However, it is likely that County increase in TOT revenue in 2015 is due in part to 2015 adoption of short term vacation rental regulations.

To account of this increase due to new TOT on short term vacation rentals, the 2015 revenue is used above, rather than the average for all five years.

Sources: City of Sacramento Finance Department, Sacramento County Finance Department; AirDNA; Airbnb; BAE, 2016.

Real Estate Transfer Tax³⁹

Real Estate Transfer Taxes (RETT) are based on the value of a real estate transaction recorded with the County Assessor at time of sale. In California, counties are authorized to charge a transfer tax of up to \$1.10 per \$1,000 of value.⁴⁰ This amount can not be increased further by a county.

Charter cities in California such as the City of Sacramento can charge an additional transfer tax without statutory limitations (but general law cities can not). Currently, the City of Sacramento charges an additional transfer tax of \$2.75 per \$1,000 of value, the cost of which is usually split fifty/fifty between the buyer and seller. Thus, for property transferred in the City of Sacramento, both the County's \$1.10 and the City's \$2.75 are charged, for a total tax of \$3.85 per \$1,000 of value

While the City of Sacramento's tax rate exceeds those of other cities in Sacramento County, a review of the 20 California cities with the highest real property transfer taxes indicates that the City of Sacramento is ranked 18th, as shown below.

TABLE 8: TOP 20 HIGHEST CALIFORNIA CITIES' TRANSFER TAX RATES

City (a)	County Tax	City Tax	Total Tax per \$1,000 value	Rank
Berkeley	\$1.10	\$15.00	\$16.10	1
Oakland	\$1.10	\$15.00	\$16.10	2
Piedmont	\$1.10	\$13.00	\$14.10	3
Alameda	\$1.10	\$12.00	\$13.10	4
Emeryville	\$1.10	\$12.00	\$13.10	5
Albany	\$1.10	\$11.50	\$12.60	6
Richmond	\$1.10	\$7.00	\$8.10	7
San Leandro	\$1.10	\$6.00	\$7.10	8
San Mateo	\$1.10	\$5.00	\$6.10	9
Hayward	\$1.10	\$4.50	\$5.60	10
Culver City	\$1.10	\$4.50	\$5.60	11
Los Angeles	\$1.10	\$4.50	\$5.60	12
Mountain View	\$1.10	\$3.30	\$4.40	13
Palo Alto	\$1.10	\$3.30	\$4.40	14
San Jose	\$1.10	\$3.30	\$4.40	15
Vallejo	\$1.10	\$3.30	\$4.40	16
Santa Monica	\$1.10	\$3.00	\$4.10	17
Sacramento	\$1.10	\$2.75	\$3.85	18
Pomona	\$1.10	\$2.20	\$3.30	19
Redondo Beach	\$1.10	\$2.20	\$3.30	20
Average	\$1.10	\$6.67	\$7.77	

Source: Chicago Title, 2016; BAE, 2016.

³⁹ In Sacramento County, the real estate transfer tax is called the Documentary Transfer Tax.

⁴⁰ California Revenue and Taxation Code, Section 11911.

Examples: Real Estate Transfer Tax

Two examples of California cities which raised funds for affordable housing through a transfer tax increase are profiled below.

- **City of Emeryville.** In 2014, recognizing the significant potential for additional revenue raised by real estate transfer taxes, the Emeryville City Council placed two companion measures on the ballot, both of which were approved by the voters with a simple majority. Measure U designated the City as a charter city, and Measure V established a Real Property Transfer Tax of \$12.00 per \$1,000 of value.^{41,42} Emeryville's transfer tax revenue flows into the City's General Fund, and is used for a variety of services including fire, emergency, street and park maintenance, and bike, pedestrian, and affordable housing projects.
- **City of Santa Monica.** In 2014, the City of Santa Monica sought to increase its existing transfer tax to fund affordable housing amid the Santa Monica Redevelopment Agency dissolution process (which eliminated a major source of affordable housing funding). Two measures were placed on the November 2014 ballot: Measure H, which would increase the existing tax from \$3.00 to \$9.00 per \$1,000 of value for commercial and non-commercial real estate sold for \$1 million or more, and Measure HH, an advisory measure to Measure H, recommending that the revenue be used to "preserve, repair, renovate and construct affordable housing for low-income people..."^{43,44} While advisory Measure HH was approved by a simple majority vote, Measure H was defeated by a majority. Consequently, the tax remains at its prior level of \$3.00 for every \$1,000 of value.

⁴¹ City of Emeryville, "Ballot Measure Submittal Form." November 4, 2014.

<http://www.webcitation.org/6RyYXm2Ue>.

⁴² Because only charter cities may establish Real Property Transfer Taxes above the amount permitted by State law, the fate of Measure V was dependent on Measure U. Had Measure U failed, the outcome of Measure V would have been null.

⁴³ Santa Monica Department of Housing and Economic Development, "Real Estate Transfer Tax and Affordable Housing Ballot Measures." July 8, 2014.

<http://www.smgov.net/departments/council/agendas/2014/20140708/s2014070808-B.htm>.

⁴⁴ Los Angeles Recorder/County Clerk, "Measures Appearing on the Ballot." November 4, 2014.

https://www.lavote.net/Documents/Election_Info/11042014_MEASURES_ON_BALLOT.pdf.

Estimated Revenue for City of Sacramento

Based on data from the City of Sacramento’s past five years of RETT revenue, BAE estimated the average value of real estate transferred between 2011 and 2015. Applying a low additional transfer tax of \$1.00 per \$1,000 of value, bringing the City to a level in the middle of the top 20 cities’ rates, would generate \$2.3 million in revenue annually. Assuming a higher additional tax of \$5.00 per \$1,000 of value, which would bring Sacramento up to the average tax rate among the top 20 cities, would add \$11.6 million of revenue for affordable housing. It should be noted that if these funds were dedicated permanently to affordable housing, it is likely that a 2/3rds voter approval would be required.

Sacramento County is not estimated due to statutory limits on county transfer taxes for real property.

TABLE 9: ESTIMATED REVENUE – INCREASED CITY OF SACRAMENTO REAL ESTATE TRANSFER TAX (ANNUAL)

	City of Sacramento		County of Sacramento	
	Low	High	Low	High
Avg. Transfer Value 2011-2015 (a)	\$2,314,181,818	\$2,314,181,818	NA	NA
Current City Real Estate Transfer Tax (per \$1,000 of value)	\$2.75	\$2.75	\$1.10	\$1.10
Additional Transfer Tax (per \$1,000 of value)	\$1.00	\$5.00	not allowed	not allowed
Total Potential (per \$1,000 of value)	\$3.75	\$7.75	\$1.10	\$1.10
Additional Revenue for Affordable Housing	\$ 2,314,182	\$ 11,570,909	NA	NA

Notes:

a) Estimate of transfer value based on actual RETT revenues received by City of Sacramento as follows:

	Transfer Tax Rev to City (2106\$s)
2011	\$4,417,000
2012	\$5,206,000
2013	\$6,073,000
2014	\$7,452,000
2015	\$8,672,000
Average	\$6,364,000

Source: City of Sacramento Finance Dept.; BAE, 2016.

Document Recordation Fees

Overview of Mechanism

Document recording fees are charged when real estate and/or other documents are legally recorded. California counties have a Clerk/Recorder's Office, which is responsible for filing and recording a broad range of legal documents, including marriage licenses, birth and death certificates, and real estate-related documents such as title (sale of property) and mortgage liens.

Current Status of Sacramento City/County

In Sacramento County, the basic recordation fee for real estate-related documents is \$21.00 for the first page/title, and \$3.00 for every page thereafter⁴⁵. While revenue estimates for recordation to the County were not available for this report, BAE's research with the County Recorder indicated that Sacramento County recorded an annual average of more than 375,000 documents over the past five years (excluding birth/death certificates and marriage licenses).

Examples: Document Recordation Fees for Affordable Housing

The following profiles two state examples of document recordation fees structured to fund affordable housing.

- **State of California.** During the past few years, several legislative initiatives in California have proposed a statewide document recordation surcharge to raise affordable housing funds. The most recent example, the 2015 Building Homes and Jobs Act (AB 1335, Atkins) proposed a \$75 document recording surcharge on all recorded documents for residential real estate transactions except home sales. The fee was designated to fund affordable housing programs assisting homebuyers, fund workforce housing, and expand housing options for agricultural workers.⁴⁶ This law was ultimately not passed in the legislature ("died on third reading").
- **State of Oregon.** Oregon counties have collect a surcharge on document recording fees to generate funding for homelessness prevention and development of affordable housing since 2009. In 2013 the State Legislature increased the fee from \$15 to \$20 to expand housing services for veterans⁴⁷ Statewide revenue is approximately \$12 million per year.

⁴⁵ Marriage licenses, birth certificates, and death certificates have a different, lower fee schedule in Sacramento County. See

⁴⁶ The 2015 Building Homes and Jobs Act would have exempted recordings related to residential home sales.

⁴⁷ Welcome Home, "A Survey of Revenue Tools to Fund Affordable Housing and Services in the Portland Metro Region." <https://www.portlandoregon.gov/phb/article/508254>.

Estimated Revenue to Sacramento County

The estimate of revenue below is based on the assumption that a surcharge on document recordation by Sacramento County for affordable housing would be charged at a flat rate per document excluding birth/death certifications and marriage licenses (most of the other recording are real estate-related). The flat fee of \$5.00 per document would yield approximately \$1.9 million per year, and the higher rate of \$10,00 per document would yield \$3.8 million per year.

The Sacramento County recorder was not able to provide a breakdown for document recordation for residential vs. commercial real estate documents.

TABLE 10: ESTIMATED REVENUE – COUNTY DOCUMENT RECORDATION FEE INCREASE (ANNUAL)

	City of Sacramento		County of Sacramento (Countywide)	
	Low	High	Low	High
Avg. Documents Recorded 2011-2015 (a)	NA	NA	376,086	376,086
Additional Document Recordation Fee	NA	NA	\$ 5.00	\$ 10.00
Additional Revenue	NA	NA	\$ 1,880,429	\$ 3,760,858

Notes

a) Based on County Recorder data shown below.

Excludes marriage licenses, and birth/ deathcertificates, but includes all other legal recordations (primarily real estate-related) such as title transfers (sales), mortgages, liens, notices, etc. for all types of real property.

	Sacramento County No. of Recorded
2010	375,555
2011	428,726
2012	386,811
2013	321,343
2014	367,994
<i>Average</i>	<i>376,086</i>

Sources: Sacramento County Recorder; BAE, 2016.