



Sunnyvale

Real Property Transfer Tax

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Agenda



Overview of
Real Property
Transfer Tax
(RPTT)



Background



Tax Data and
Revenue
Estimates



Council Action

Real Property Transfer Tax (RPTT)

- Tax paid when property is sold
 - Generally paid 50/50 by seller/buyer, but can be negotiated.
- Currently \$1.10/\$1,000 of Sale Price levied by Santa Clara County.
 - The County distributes half (\$0.55/\$1,000) to the City

Real Property Transfer Tax (RPTT)

- As a charter city, Sunnyvale can pass a tax measure to levy a Real Property Transfer Tax (RPTT)
 - County will continue to levy the entire \$1.10/\$1,000 and retain the entire portion
- In Santa Clara County, 3 other cities have alternative RPTT
 - Mountain View/Palo Alto - \$3.30/\$1,000
 - San Jose – Tiered system from \$7.50 to \$15/\$1000
- Requires voter approval – simple majority if “General Tax” (i.e., imposed for general governmental purposes, not committed to specific City programs or projects)

Background

- In February 2021, City Council sponsored study issue to explore a 2022 General Election ballot measure to modify the Real Property Transfer Tax (RPTT) (FIN 21-01).
- During April 2022 Study Session, City Council reviewed potential tax structures and directed staff to conduct polling.
- During July 12, 2022 Council Meeting, Council provided direction for tax structure.
- During July 26, 2022 Council Meeting, Council considered but did not pass a motion to move forward with ballot measure.
- During the November 28, 2023 Council Meeting, Council directed staff to present information for consideration to place an RPTT tax measure on the November 2024 ballot

Prior Polling

(As approved by legal counsel; 50% +1 vote threshold)

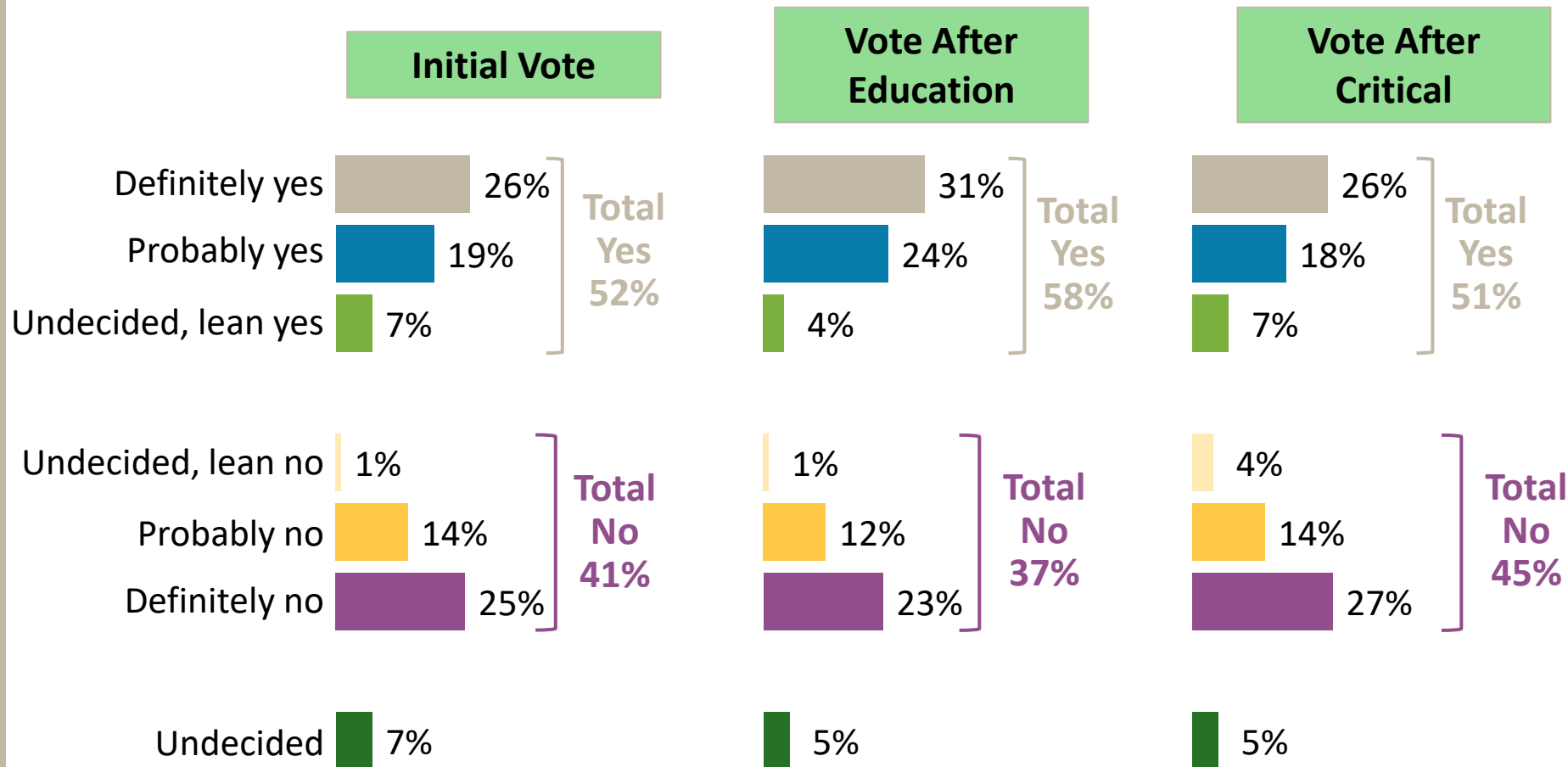
(ONE RATE)

To fund essential City of Sunnyvale services, including police, fire, 911 response, park and street maintenance, homelessness response, and other services, shall the City of Sunnyvale adopt an ordinance enacting a real property transfer tax (paid by buyers and sellers upon sale) on sales over \$3,000,000 paid at the rate of .75%, exempting sales of \$3,000,000 or less, and generating approximately \$7,250,000 annually, until ended by voters, with required audits and all funds used locally?

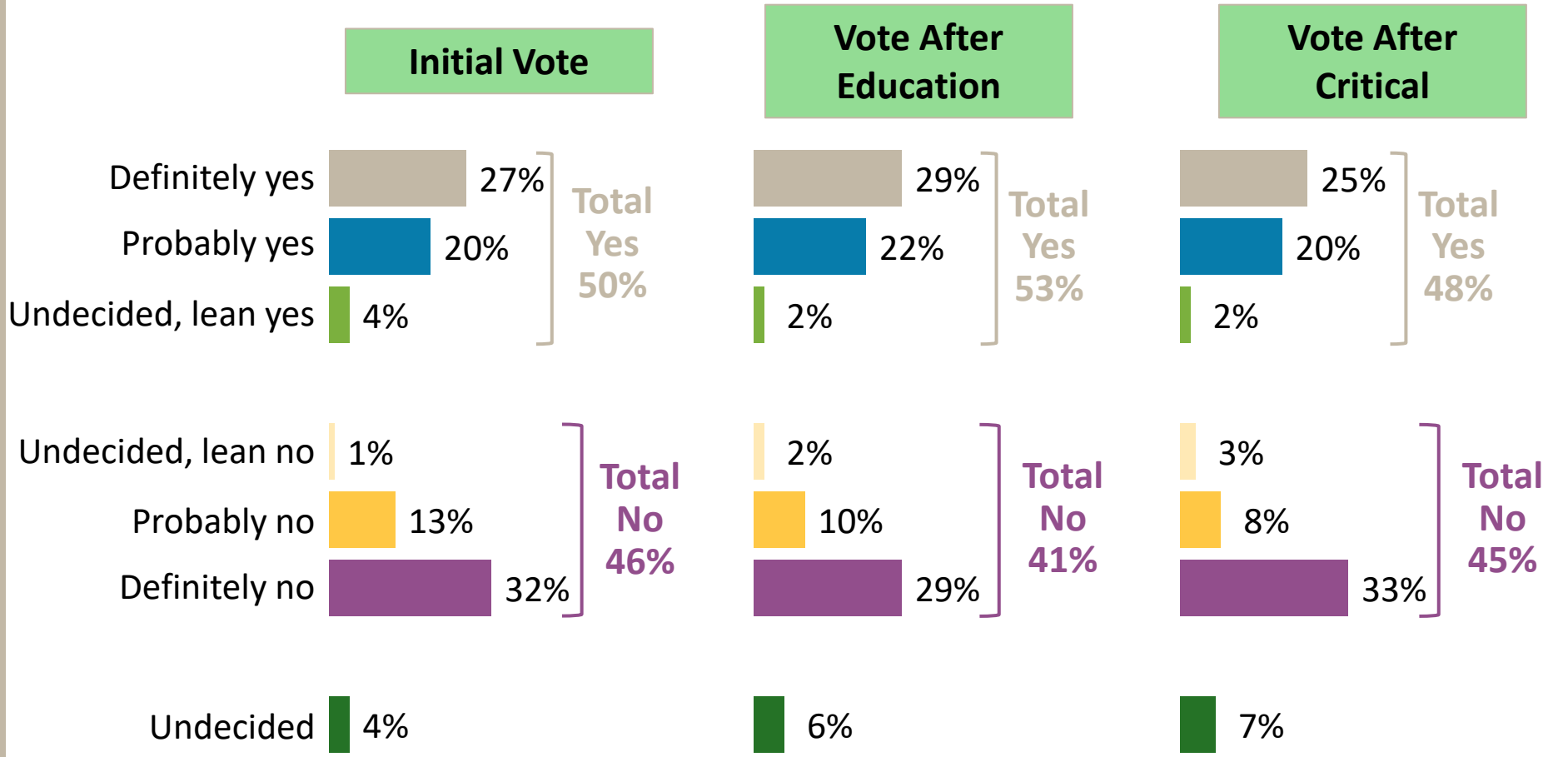
(TIERED RATE)

To fund essential City of Sunnyvale services, including police, fire, 911 response, park and street maintenance, homelessness response, and other services, shall the City of Sunnyvale adopt an ordinance enacting a real property transfer tax (paid upon sale) only for sales over \$3,000,000 paid at these rates: \$3,000,000 to \$4,999,999 at 0.75%, \$5,000,000 to \$9,999,999 at 1.0%, and over \$10,000,000 at 1.5%, generating approximately \$15,100,000 annually, until ended by voters, with required audits and all funds used locally?

One Rate Polling Results



Tiered Rate Polling Results

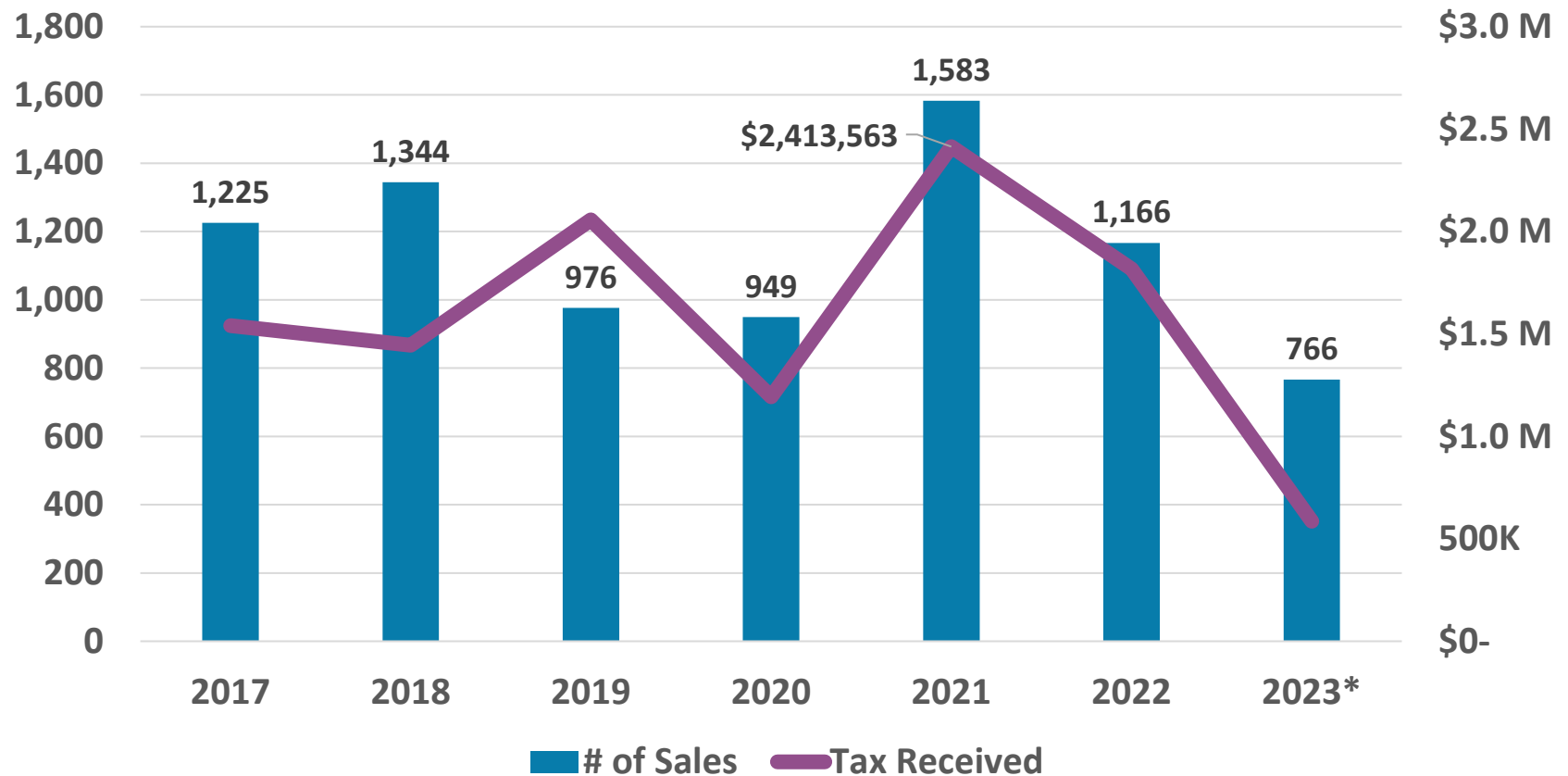


2022 Proposed Ordinance Changes – Key Highlights

- ✓ RPTT at the rate of .75%, only on sales exceeding \$3,999,999.99
- ✓ Adjustment to the \$3,999,999.99 exemption threshold
- ✓ Added exemptions to the tax
- ✓ Provisions detailing administrative and enforcement authority
- ✓ Provisions allowing the City to enforce unpaid/delinquent RPTT taxes by imposing a lien or special assessment
- ✓ Administrative updates and clarifications.

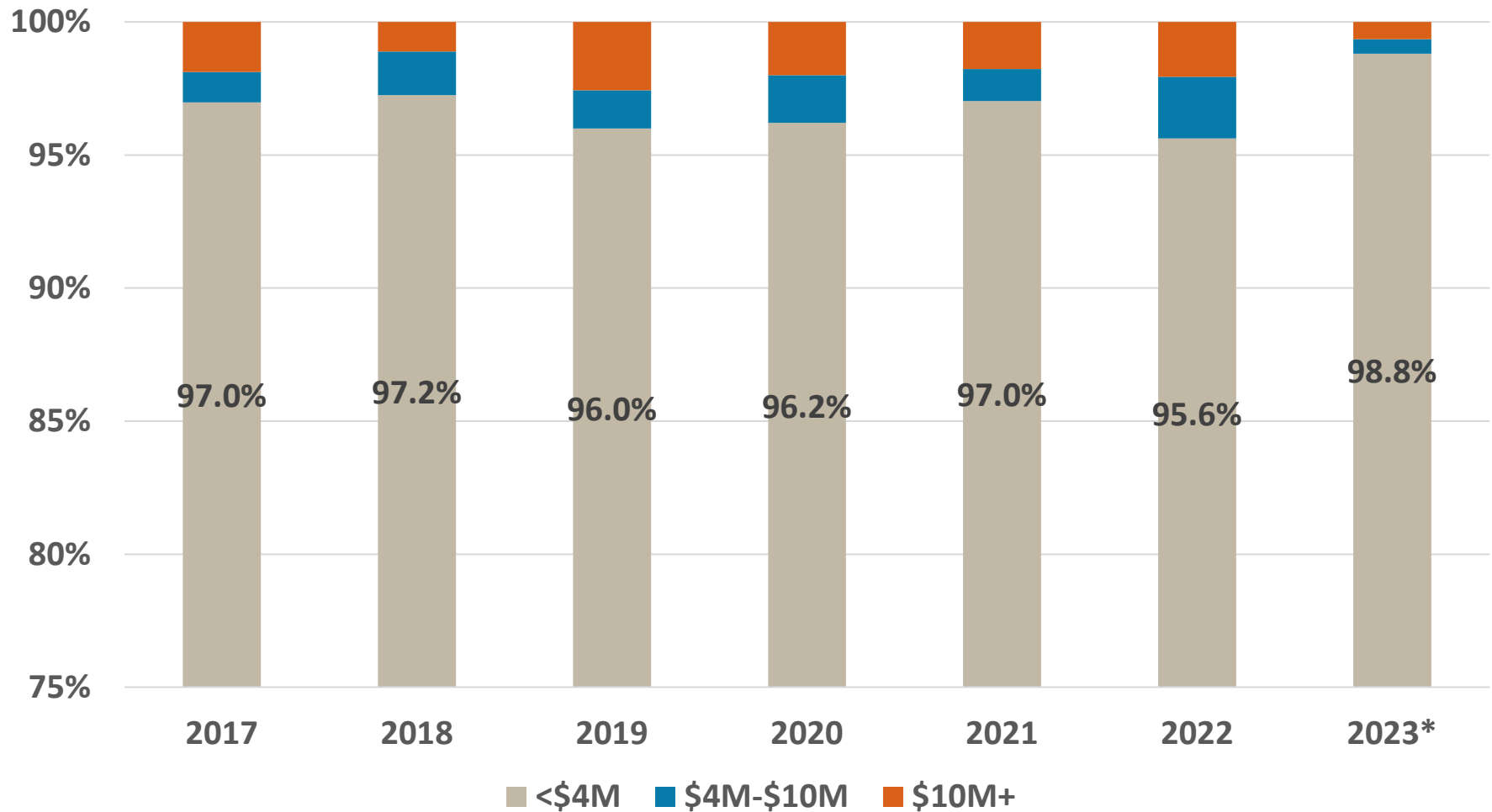
Historical Data

Property Sales and Transfer Tax Received (All property types)



Source: [HdL Coren & Cone](#)

Breakdown of Sales by Sales Price Category



Source: [HdL Coren & Cone](#)

Tax Estimates

Based on historical data

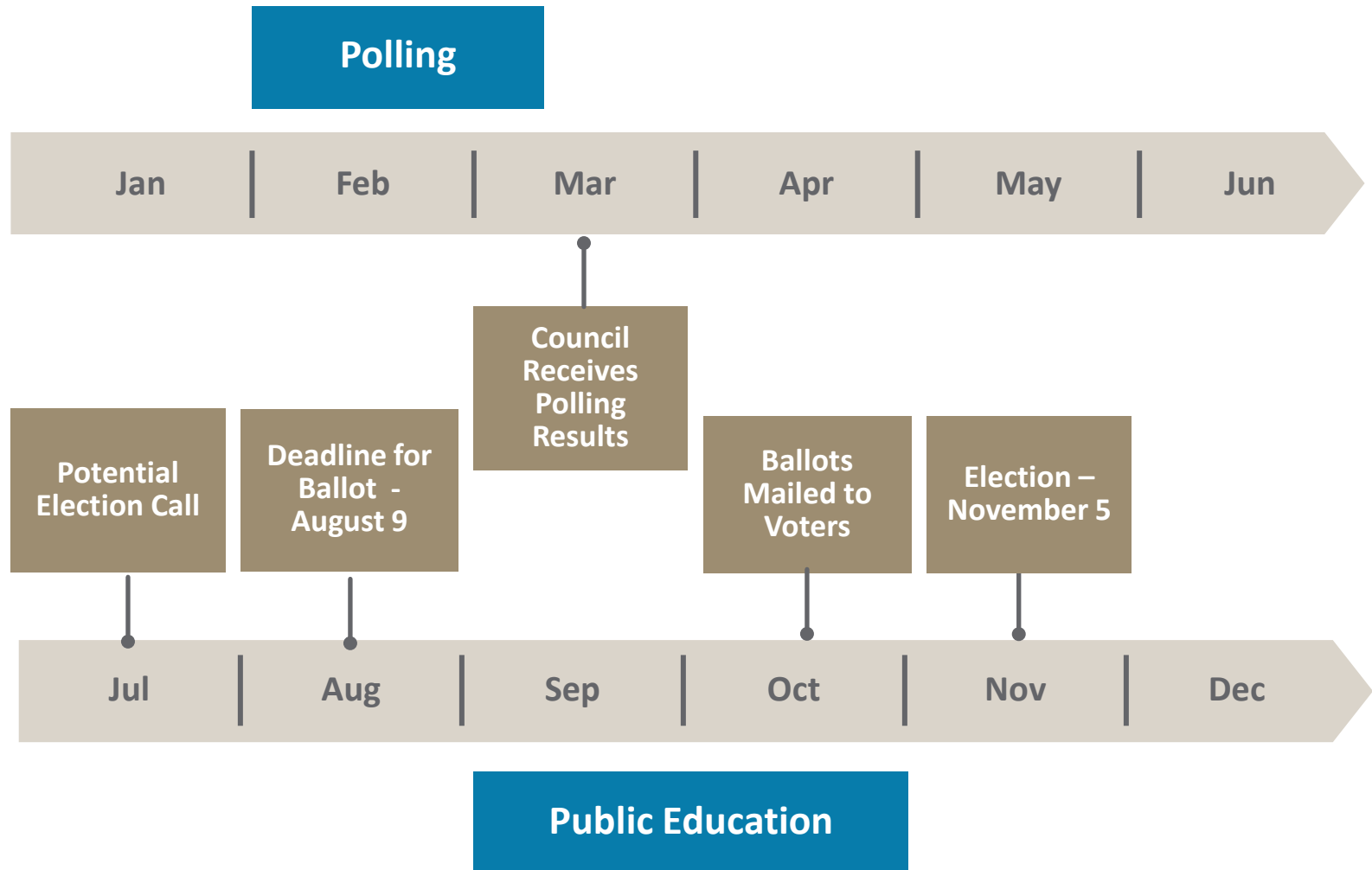
Current (\$1.10/\$1,000, shared with County)

Exemption Threshold	Average Annual Revenue (2017 through 2023)	Revenue in 2021 (high year)	Estimated Annual Revenue in 2023 (low year)
none	\$1.5 million	\$2.4 million	\$0.6 million

\$7.50/\$1,000, as previously directed by Council

Exemption Threshold	Average Annual Revenue <u>Increase</u> over Current Tax (2017 through 2023)	Revenue <u>Increase</u> in 2021 (high year)	Estimated Revenue <u>Increase</u> in 2023 (low year)
\$3,000,000	\$6.8 million	\$12.3 million	\$1.2 million
\$4,000,000	\$6.1 million	\$10.4 million	\$1.1 million
\$5,000,000	\$5.9 million	\$10.2 million	\$1.1 million

Potential Timeline



Recommendation

Alternatives

1. Provide direction to staff on the parameters of a potential Real Property Transfer Tax measure to be publicly polled and approve Budget Modification No. 11 in the Amount of \$40,000 for polling consultant costs.
2. Direct staff to take no further action.

Staff Recommends Alternative 1



Questions/Feedback