



Sunnyvale

Real Property Transfer Tax and Civic Center Phase 2: Main Library Bond Measures

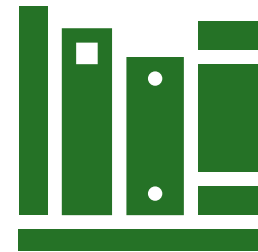
Tim Kirby, Director of Finance
Dennis Jaw, Assistant Director of Finance



Possible Revenue Measures to be Placed on the Ballot for the November 2024 Election



Real Property Transfer Tax



Library General Obligation
Bond

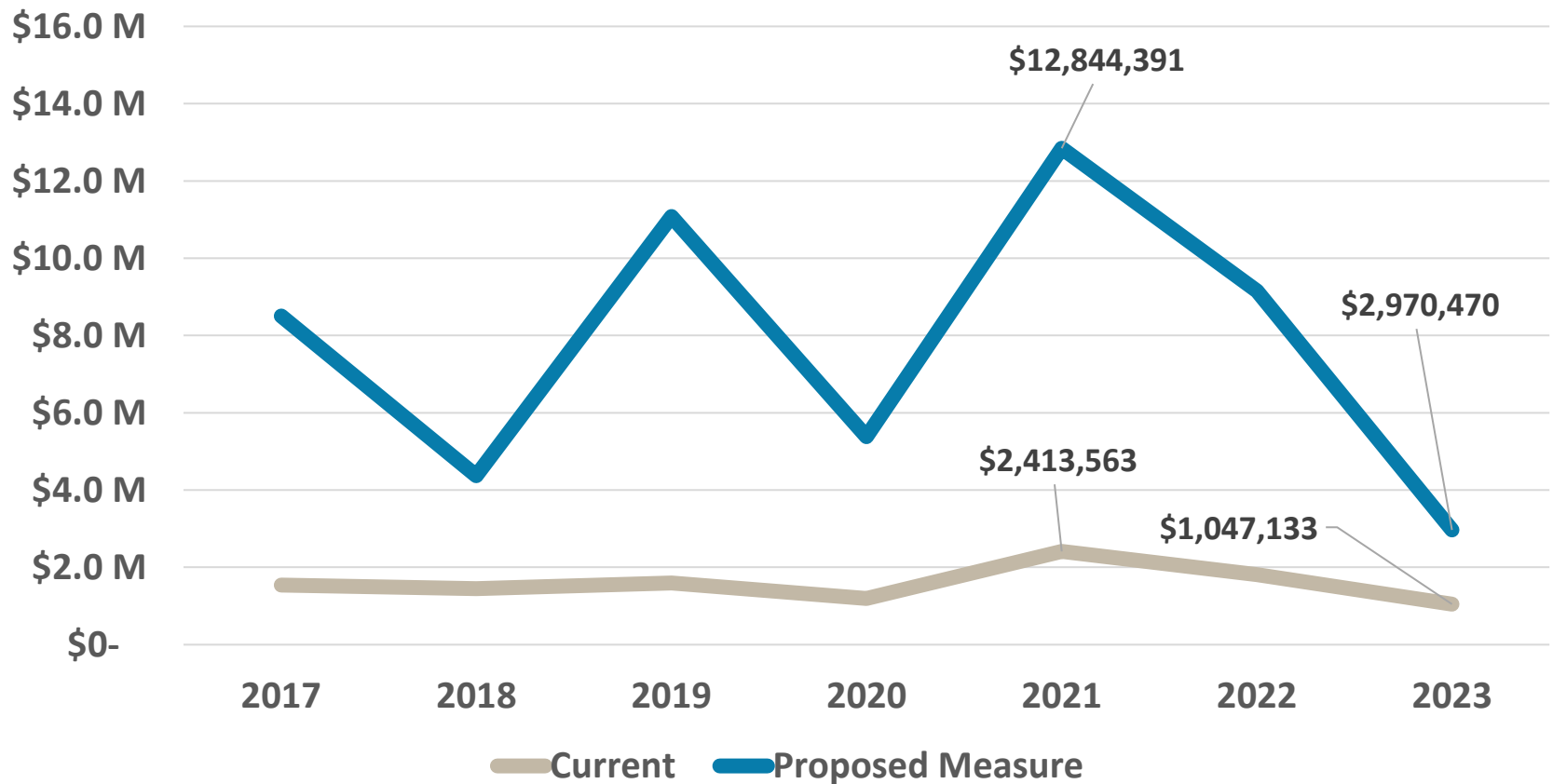
Current Council Consideration - RPTT



- Polled on the viability of:
 - RPTT at the rate of .75%, only on sales exceeding \$3,999,999.99
 - Adjustment to the \$3,999,999.99 exemption threshold to account for inflation
 - Annually or every 5 years
 - Possible exemptions for Single Family/Duplex Residential Properties
 - Possible tax expiration of 30 years (vs. “until ended by voters”)
- **Council may provide alternative direction**

Updated Revenue Projections

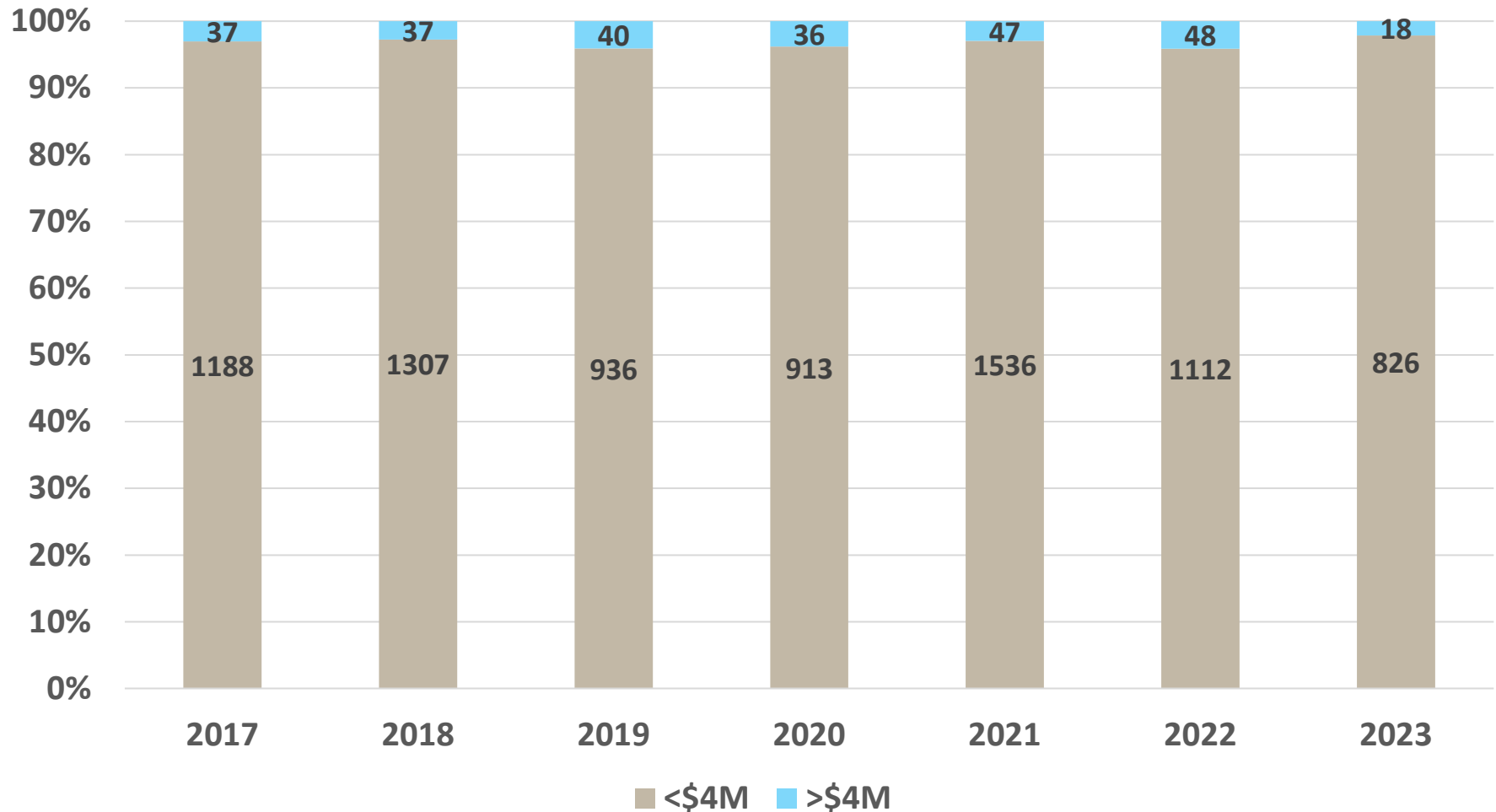
Average annual difference: \$6.2 million



*Excludes very large, uncommon sales.

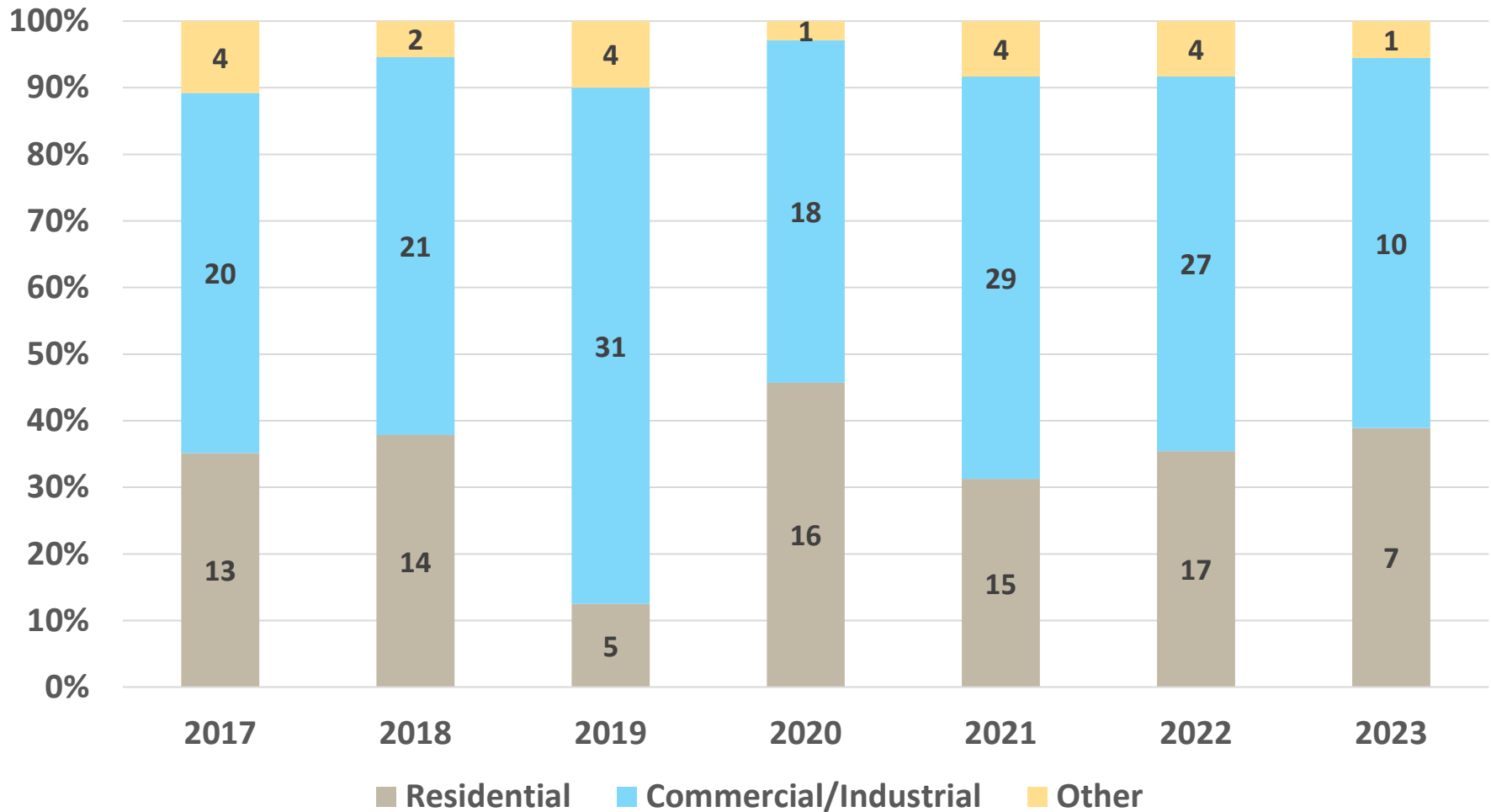
Source: [HdL Coren & Cone](#)

Breakdown of Sales by Sales Price Category



Source: [HdL Coren & Cone](#)

Over \$4M Sales by Type



Source: [HdL Coren & Cone](#)

"Other" category includes Government owned, Churches, Agricultural, and Vacant

Analysis of Revenue Risk from New Tax

- Current average revenue since 2017 from RPTT is approximately \$1.5M/yr*
- City would need to average \$200M in property sales valued over \$4M each year to avoid loss of revenue
- Historical sales data on sales over \$4M shows risk of revenue below the current average is low

FY Ending	Total Sales
2023	\$396,062,727
2022	\$1,220,420,000
2021	\$1,712,585,500
2020	\$717,435,000
2019	\$1,477,278,010
2018	\$583,167,364
2017	\$1,134,149,500

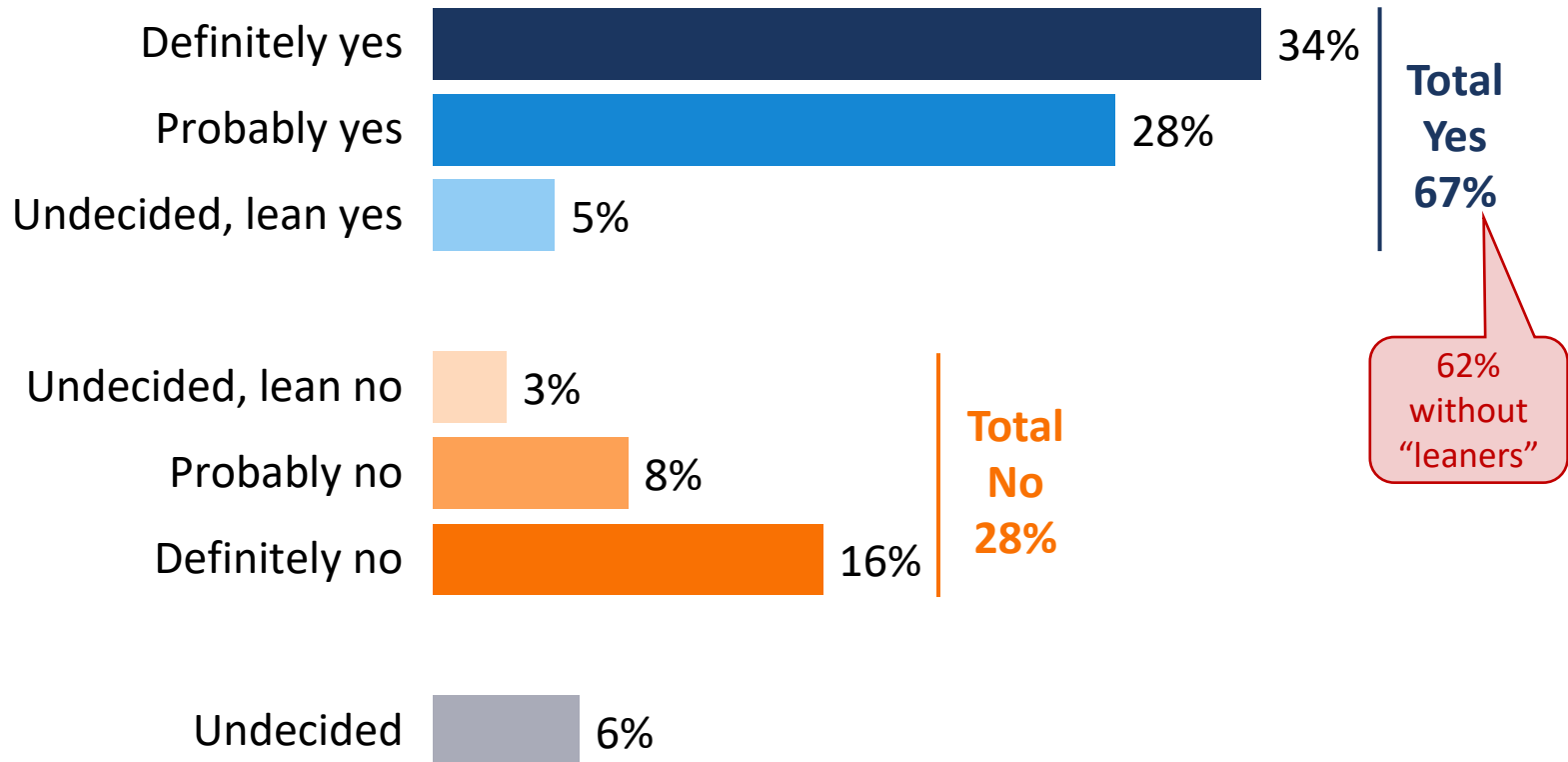
*Average excludes very large, uncommon sales.

Hypothetical Ballot Measure Language

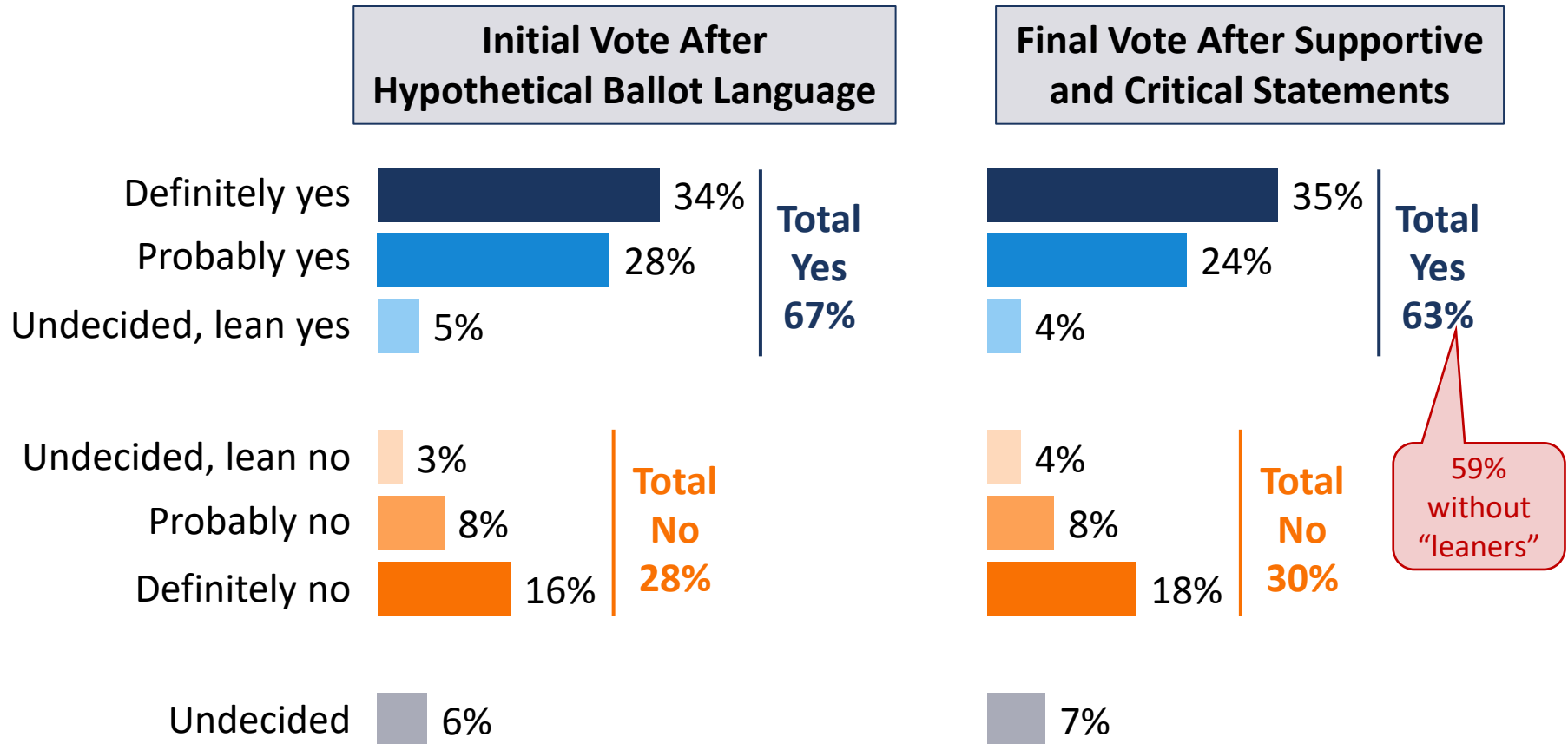
General-purpose; 50% Vote Threshold

Sunnyvale City Services Funding Measure. To fund essential city services, including police and fire protection; 911 emergency response; disaster preparedness; addressing homelessness; tree, park, and street maintenance; and other services, shall the City of Sunnyvale adopt an ordinance enacting a 0.75% real property transfer tax (paid by buyers and sellers upon sale) on property sales over \$4,000,000, and generating approximately \$6,100,000 annually until ended by voters, with required audits and all funds used locally?

Two-thirds expressed initial support for the hypothetical measure, with twice as much intensity among supporters than among opponents.



Final support was only slightly lower than initial support, though the intensity of yes/no voters was essentially identical.



Examples of Tax Paid – RPTT (when sold)



* If tax measure is
passed as polled

Property Sale Amount	City Transfer Tax*	County Transfer Tax
\$3,500,000	None	\$3,850
\$4,000,000	\$30,000	\$4,400
\$20,000,000	\$150,000	\$22,000
\$100,000,000	\$750,000	\$110,000

Business Community Feedback/Concerns

- Unfair, as it targets commercial/industrial and large residential properties
 - Will impact triple net leases, driving up rent costs
 - Hits small businesses especially hard
 - Costs will trickle down to consumers and further increase prices
 - May drive businesses to other cities
- 

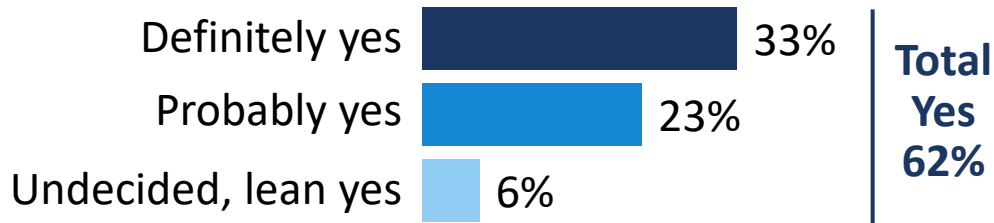
Hypothetical Ballot Measure Language

Two-thirds Vote Threshold

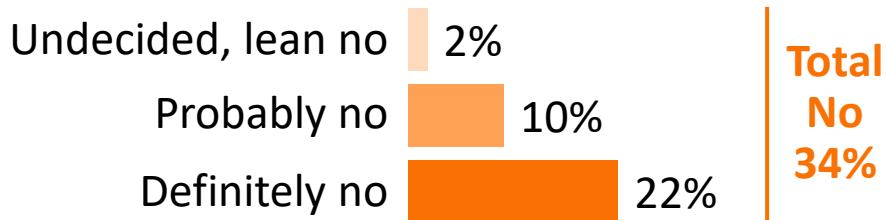
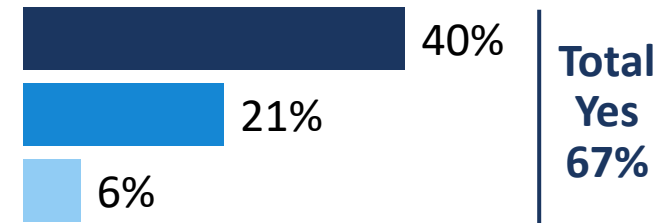
Sunnyvale Library Measure. To provide residents with a larger, modern, energy-efficient, and earthquake-safe library; expand spaces for library collections and materials, events, and programming for children, teens and seniors; and replace deteriorating infrastructure and outdated technology, shall the City of Sunnyvale issue (**SPLIT SAMPLE C: \$240,000,000**) (**SPLIT SAMPLE D: \$290,000,000**) in bonds at legal interest rates with an average levy of (**SPLIT SAMPLE C: \$23**) (**SPLIT SAMPLE D: \$27**) per \$100,000 of assessed value, generating approximately (**SPLIT SAMPLE C: \$15,400,000**) (**SPLIT SAMPLE D: \$18,600,000**) annually while bonds are outstanding, with audits, citizen's oversight, and all funds used locally?

Initial support for either amount was in the mid 60s.

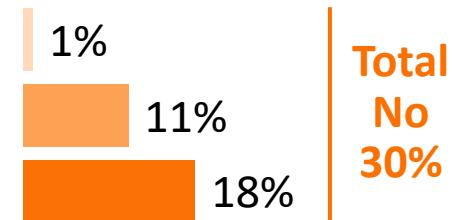
\$240MM



\$290MM



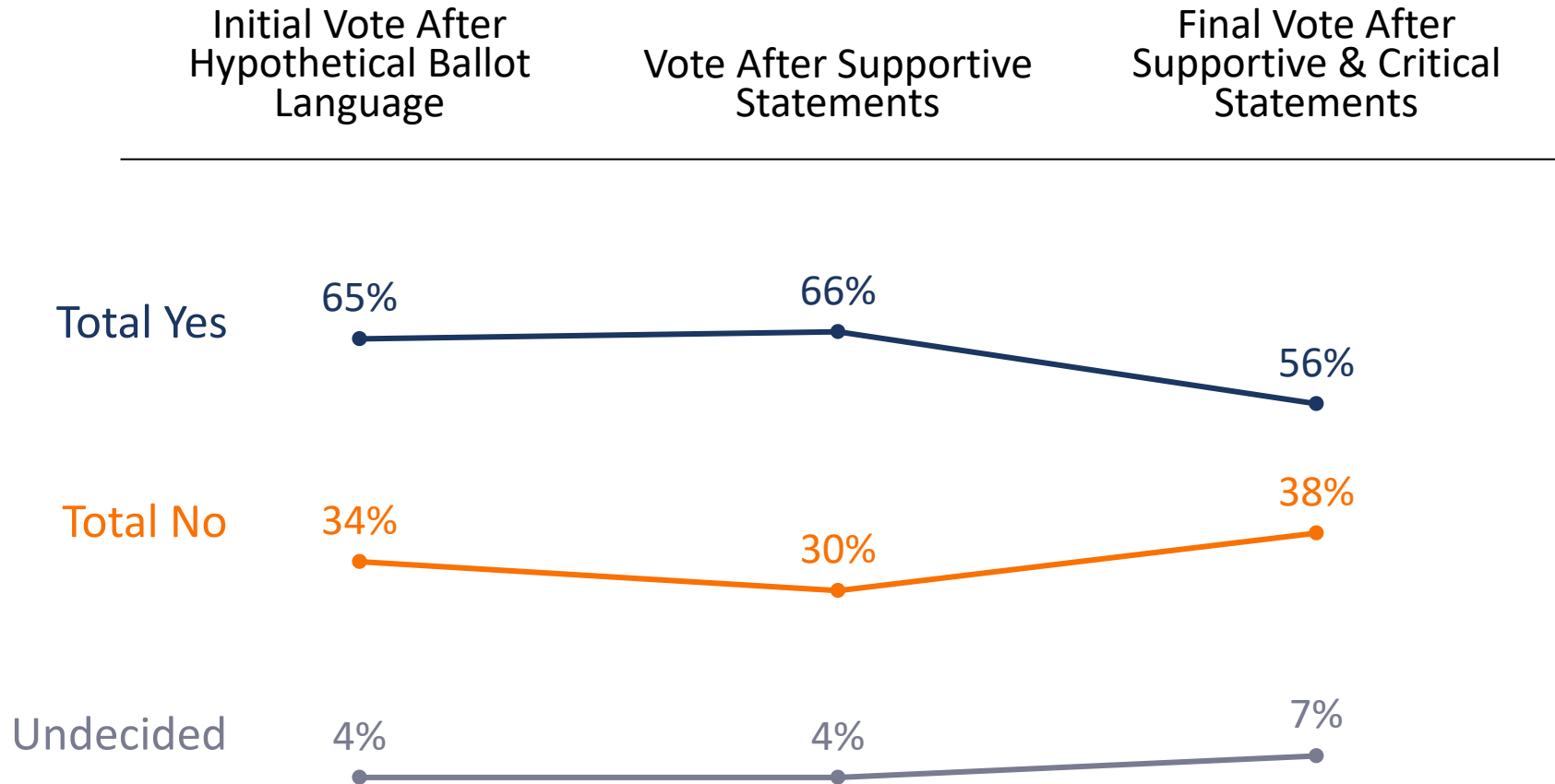
Undecided 4%



Undecided 3%

Initial support appeared to start at a measure's ceiling, which is right around two-thirds.

Combined \$240MM/\$290MM Bond



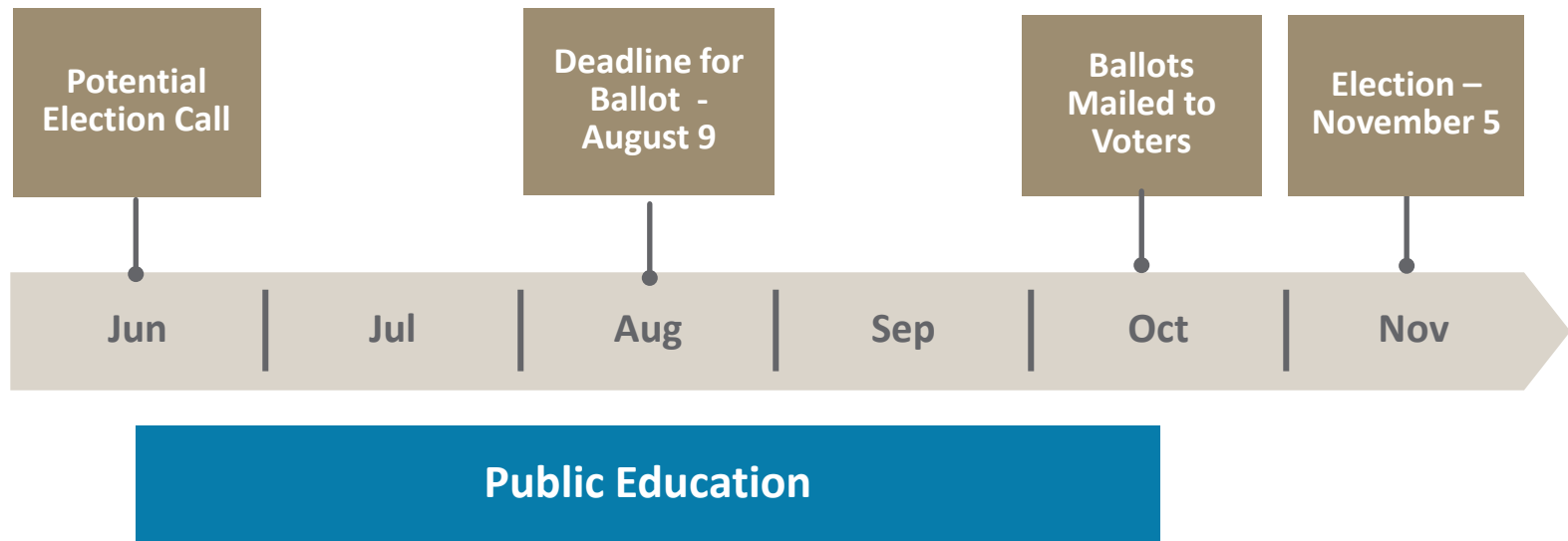
Examples of Tax Paid – Library Bond (Annually)



Assumes 25-year bond
with a 4% average
interest rate

Assessed Value	\$240M Option (\$23/\$100k AV)	\$290M Option (\$27/\$100k AV)
\$840,000	\$193	\$227
\$2,200,000	\$506	\$594
\$20,000,000	\$4,600	\$5,400
\$100,000,000	\$23,000	\$27,000

Potential Ballot Measure Timeline



Real Property Transfer Tax



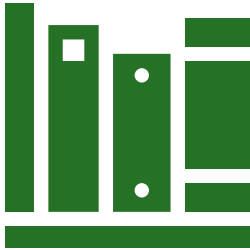
Pros

- General tax, no restriction on use of revenue
- Can pass on only 50% threshold, polled higher

Cons

- Volatile revenue source, difficult to budget ongoing services
- Increased revenue relatively low as a percent of GF overall budget
- No dire need for funds, as FY 2024/25 Recommended Budget provides significant Service Level Set-Aside to fund new and increased services.
- High possibility of an opposition campaign

Library Bond Measure



Pros

- The Sunnyvale Library is a very popular service amongst the public
- Library will not be built in the near future without a measure, stalling the Civic Center Modernization Plan
- Possible passage of California ACA1 may reduce the threshold
- Presidential election year may increase chance of passing
- Ultimately would result in greater overall revenue vs. RPTT within same time frame

Cons

- Currently requires 66.7% approval to pass
- Polling indicates support is not certain

Council Action

Alternatives

1. Direct staff to return to Council with actions necessary to place a RPTT ballot measure on the November 2024 ballot to levy a City Real Property Transfer Tax of \$7.50/\$1,000 for sales over \$4 million.
2. Direct staff to return to Council with actions necessary to place a RPTT ballot measure on the November 2024 ballot with an alternative tax rate or structure.
3. Direct staff to return to Council with actions necessary to place a general obligation bond measure to support the issuance of \$290 million in bonds for the construction of a new library on the November 2024 ballot.
4. Direct staff to return to Council with actions necessary to place both measures on the November 2024 ballot.
5. Approve Budget Modification No. 24 in the amount of \$40,000 and direct staff to conduct a third poll to determine the viability of placing both RPTT and Library Bond measures on the November 2024 ballot.
6. Do not direct staff to move forward with either ballot measure.

Staff Recommendation

Alternative 3 - Direct staff to return to Council with actions necessary to place a general obligation bond measure to support the issuance of \$290 million in bonds for the construction of a new library on the November 2024 ballot.

Questions