

Second Public Hearing: Potential Charter City Measure

Pinole City Council
July 12, 2022



Background

- Over last few months, the City Council has been considering the possibility of becoming a charter city for the sole purpose of adopting a RPTT
- On May 31, the Council received a presentation regarding survey results
- On June 7, the Council conducted the first public hearing on the proposed charter and provided direction to staff

Tonight's Meeting

- Opportunity for the Council to:
 - Hear from the public regarding the proposed draft charter and RPTT ordinance
 - Consider whether to continue with the process for placing a measure on the ballot for voters to decide on whether Pinole should become a Charter City
 - Provide direction to staff on draft charter, RPTT Ordinance and related issues

Overview: Authority in General Law vs. Charter City

A General Law City has the authority to act locally but its acts must be consistent with: the California Constitution, state statutes, state administrative regulations.

A Charter City has the additional authority to adopt laws regarding "municipal affairs" that are inconsistent with state statutes, as long as they are still consistent with US and California Constitutions and with the charter.

- This is known as the "Home Rule"
- "Municipal Affair" not well defined.

Examples of Municipal Affairs

- Conduct of city elections and election procedures
- Taxes for municipal purposes (e.g., a real property transfer tax)
- Fines for violating local ordinances
- Public contracting requirements, including bidding, and prevailing wage requirements
- Form of Municipal Government (if approved by voters)

How detailed is a charter?

- A charter may be very detailed, or very broad, or somewhere in between
- Some cities have limited charters that:
 - Grant all authority except where the charter specifically limits the City's power
 - Grant only those powers specifically enumerated (less common)
- Any change to the charter requires voter approval
- Municipal Code would be maintained

Real Property Transfer Tax (RPTT)

- General law cities may charge RPTT of up to \$1.10 per \$1,000 of value, which is split with the County.
- Pinole receives \$0.55 cents per \$1,000 of value for every property sale.
- RPTT is paid once, only upon the sale of the property for value (i.e. does not apply to inherited property).
- Payment can be negotiated between buyer and seller.

Real Property Transfer Tax (RPTT)

- Charter cities can enact increased RPTT
- Becoming charter city and enacting RPTT can be submitted to voters as one measure
- Simple majority approval from voters is required
 - But requires 4/5 vote of City Council
- 8 Bay Area cities have adopted or increased RPTT since 2010

Real Property Transfer Taxes

- Over last ten years, Pinole has received an average of \$85,637 annually from the RPTT
- Low of \$51,630 in 2011-12, and a high of \$118,254 in 2020-21

Neighboring RPTT Rates:

	<u>Per \$1,000</u>
Alameda	\$ 12.00
Richmond	\$ 7.00
Oakland	\$ 15.00
Emeryville	\$ 12.00
Berkeley	\$ 15.00
Albany	\$ 15.00
Piedmont	\$ 13.00
El Cerrito	\$ 12.00
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Median	\$ 12.00

Potential Future Revenue

- Staff believes that \$100,000 is a reasonable estimate of the amount of revenue the City will receive from the existing RPTT each year for the next few years.
- If RPTT is \$8 per \$1,000 (0.8%) of value, tax will generate \$1.45 million in revenue.
 - County will charge 1-3% in administration costs

Financial Considerations

- City has been able to sustain status quo service levels with modestly growing revenue sources
- Current model defers investment in capital assets, business systems, and human capital
- In the long run, this will lead to a deterioration of assets and systems
- RPTT would create another guaranteed source of local revenue to sustain/improve critical facilities and essential services in long run

Calendar

- Approximate deadlines for taking statutorily required steps:

2nd Public Hearing:

Tonight

Place Measure on Ballot:

August 2, 2022

- Charter and RPTT ordinance can be submitted to the voters as one measure
 - Will require 4/5 Vote of the City Council

Proposed Draft Charter

- The proposed charter provides that the only power of a charter city that Pinole may exercise is the power to enact an enhanced RPTT
- City would continue to be subject to all other laws governing general law cities
- Status quo maintained except for power to enact RPPT
- Maintains current form of government and Municipal Code
- Any future change would require voter approval

Proposed RPTT Ordinance

- The proposed charter authorizes an RPTT, which will be enacted by separate ordinance approved by voters as part of the same measure
- Tax Imposed: \$8 per \$1000 of value (0.8%)
- Buyer and seller jointly responsible for, and may negotiate payment between themselves
- Tax is due at the time the deed is recorded
- Finance Director administers tax, but may contract with County

RPTT Ordinance

- Exceptions for:
 - Government entities
 - Transfers made within a marriage, or during dissolution of a marriage
 - Other legally required exceptions
- Does not include Low-Income Exemption
- Council may amend ordinance in future, except that any expansion of tax or increase in tax rate about 0.8% would require voter approval

Rebates

- Ordinance authorizes RPTT tax rebates for the following:
 - Energy and water conservation projects
 - Seismic upgrades
 - Sewer lateral repair
- Work must be performed one year before or after transfer of property
- Rebate is limited to 1/3 of the tax paid
- Similar to rebate programs in other local jurisdictions

Community Engagement

- City can engage in limited education and outreach activities related to the possible transition to becoming a charter city and enacting an RPTT.
- These activities are strictly educational and may not advocate for a potential ballot measure
- Examples of education and outreach activities include social media posts, newsletters mailed to residents, and information on the City's website

Community Engagement

- Mailer was sent to every residential address notifying residents about charter city discussions and July 12 public hearing
- City created a special website with some additional basic information, such as a FAQ
<https://www.ci.pinole.ca.us/financialfuture>
- Website and mailer both include ways for residents to provide feedback on City priorities and charter city measure

	The City's financial sustainability	Maintaining safe play places for children	Keeping streets, public areas, and parks clean	Retaining/attracting local businesses	Improving fire protection/911 response	Upgrading storm drains
Ranked #1	52	15	29	21	49	9
Ranked #2	25	27	39	21	30	11
Ranked #3	19	27	37	22	26	13
Ranked #4	21	28	31	29	19	16
Ranked #5	17	37	13	27	23	23
Ranked #6	17	16	3	29	3	77

- 188 total responses
- 16 individuals noted opposition to Charter City Measure, 1 individual noted support

Council Direction

1. Whether to move forward with the process of becoming a charter city by preparing necessary materials for the City Council to place a measure on the ballot at the August 2 meeting;
2. The content of the Draft Charter;
3. The content of the Draft RPTT Ordinance; and
4. Whether to continue education and outreach activities.



To expand locally controlled funding for general government use, such as maintaining public safety, repairing potholes/ streets; disaster preparedness; and keeping public areas safe/ clean, shall a measure be adopted establishing the City of Pinole as a charter city for the sole purpose of enacting a **(SPLIT SAMPLE E: 0.8%) (SPLIT SAMPLE F: 1.2%)** real property transfer tax (paid only by buyers/ sellers of property at the time of sale), generating approximately **(SPLIT SAMPLE E: \$2 million) (SPLIT SAMPLE F: \$2 million)** annually until ended by voters, and requiring annual independent audits?

The lower tax rate reached 56% support after supportive statements, but also fell after criticisms.

0.8%/\$1.5M

