

A PROPOSED AMENDMENT TO THE CITY OF SANTA CRUZ MUNICIPAL CODE ENACTING
“THE CITY OF SANTA CRUZ WORKFORCE HOUSING AFFORDABILITY ACT OF 2025”
SUPPORTED BY A NEW 20-YEAR PARCEL TAX AND REAL PROPERTY TRANSFER TAX

This measure would amend the City of Santa Cruz Municipal Code to add Chapter 3.34, “The City of Santa Cruz Workforce Housing Affordability Act of 2025” and would authorize two new special taxes, a parcel tax and a real property transfer tax, to fund it for twenty years before expiring. The use of revenue from both taxes would be restricted to the purposes specified in the measure, which include the following:

- 87% for affordable housing programs and projects;
- 10% for programs and facilities to address and prevent homelessness; and
- a maximum of 3% for community oversight, accountability and administrative expenses in implementing the measure.

The proposed parcel tax would be imposed annually upon all parcels of real property in the City in the amount of \$96 per parcel. Exemptions would be available to qualifying low-income households, low-income senior households, affordable housing projects, schools, religious institutions and other entities that are otherwise exempt from property taxes.

The proposed real property transfer tax would be levied on the value of property transferred or sold in excess of \$1.8 million, as follows: A 0.5% tax (\$5/\$1,000) on the price paid in excess of \$1.8 million but less than \$2.5 million; a 1% tax (\$10/\$1,000) on the price paid in excess of \$2.5 million but less than \$3.5 million; a 1.5% tax (\$15/\$1,000) on the price paid in excess of \$3.5 million but less than \$4.5 million; and a 2% tax (\$20/\$1,000) on the price paid in excess of \$4.5 million, subject to a cap of \$200,000. No tax would be imposed on the price paid for property transferred that is under \$1.8 million.

These thresholds would be increased annually by the change in CPI for the prior year. Thus, for example, if the CPI for Fiscal Year 2026-2027 is 3%, then commencing July 1, 2027, the exemption threshold for the tax would increase to \$1,854,000. The \$200,000 transfer tax cap would be adjusted annually by CPI up to 3%.

A variety of real property transactions would be exempt from the proposed tax including, but not limited to transfers: by inter-vivos gift or inheritance; from a public agency to a non-profit corporation; to or from exempt public entities; of marital property; of restricted affordable units; of certain partnership property; made as part of bankruptcy proceedings; and deeds in lieu of foreclosure.

Both taxes imposed by this measure would expire after the 2046-2047 fiscal year, and the City Council would be prohibited from placing a measure on the ballot to increase transfer tax rate or extend the tax while it is in effect.

As a citizen-led special tax measure, passage requires simple majority (50% +1) of voters who cast ballots to pass. A “yes” vote is a vote to approve the taxes; a “no” vote is a vote to reject the taxes.

s/ANTHONY P. CONDOTTI
City Attorney