

Notice of Intent to Circulate Petition

Notice is hereby given by the persons whose names appear hereon of their intention to circulate the petition within the City of Santa Cruz for the purpose of:

1. Providing necessary funding for a range of affordable housing developments serving our city's lower income and vulnerable populations.
2. Increasing the supply of affordable housing in response to the affordable housing crisis facing Santa Cruz.
3. Increasing access to state and federal funding for affordable housing by providing additional City funds to leverage these outside funding sources and improve the competitiveness of City developments.
4. Obtaining sufficient affordable housing funds to allow the City to support a variety of affordable housing initiatives.
5. Providing an additional and significant funding source to stimulate housing for the City's disadvantaged and economically vulnerable residents.
6. Increasing the amount of City funds available for affordable housing without placing an undue burden on the City's property taxpayers.

A statement of the reasons for the proposed action as contemplated in the initiative are as follows:

1. A housing crisis exists in the City and the entire County of Santa Cruz, where the extremely high costs of home ownership and the increasing cost of rental housing throughout the County have resulted in housing insecurity and a persistently high number of individuals living without any housing in the City and the County; and
2. The existence of this housing and homelessness crisis compels the community to seek approval by voters of a revenue measure to aid in the acquisition, development and/or improvement of real property in order to provide affordable housing, including housing for lower income working individuals and families, essential workers, disadvantaged veterans, seniors, low- and moderate-income households, persons with disabilities, homeless individuals and families; and supportive housing for individuals suffering from mental health challenges or substance use disorders.
3. Even though some affordable housing is currently being built, the number of units available for the above-named populations does not satisfy the existing demand within the city.
4. While the City of Santa Cruz is making progress addressing the homelessness crisis and the need for ongoing sustainable funding to support these efforts, in partnership with the County of Santa Cruz, there continues to be a need to provide additional affordable and supportive housing to sustain progress.
5. Affordable housing is a critical need, without which lower income persons and families are unlikely to achieve any level of stability or the ability to remain in the community.

We, the undersigned, hereby request that a Ballot Title and Summary be prepared by the City Attorney for the following initiative to be placed on the next City of Santa Cruz election ballot (regularly-scheduled or special election).

s/ Don Lane, Former Mayor of the City of Santa Cruz (retired) Date 01/09/2025
Don Lane, Former Mayor of the City of Santa Cruz (retired)

s/ Elaine Johnson, Executive Director, Housing Santa Cruz County
Date 01/09/2025

INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

FULL TEXT OF THE PROPOSED INITIATIVE

THE CITY OF SANTA CRUZ WORKFORCE HOUSING AFFORDABILITY ACT OF 2025

SEC. 1. Title.

This Act shall be known and may be cited as "The City of Santa Cruz Workforce Housing Affordability Act of 2025" (the "Affordable Housing Act" or "Act").

SEC. 2. Findings and Declarations.

The People of the City of Santa Cruz hereby find and declare the following:

1. The People of the City of Santa Cruz (the "City") recognize the existence of a housing crisis in the City and the entire County of Santa Cruz (the "County"), where the extremely high costs of home ownership and the increasing cost of rental housing throughout the County have resulted in housing insecurity and a persistently high number of individuals living without any housing in the City and the County; and
2. The existence of this housing and homelessness crisis compels the community to seek approval by voters of a revenue measure to aid in the acquisition, development and/or improvement of real property in order to provide affordable housing, including housing for lower income working individuals and families, essential workers, disadvantaged veterans, seniors, low- and moderate-income households, persons with disabilities, homeless individuals and families; and supportive housing for individuals suffering from mental health challenges or substance use disorders; and
3. Even though some affordable housing is currently being built, the number of units available for these populations does not satisfy the existing demand within the City; and
4. The new affordable or supportive housing units that would be made available through a revenue measure, including through proceeds of possible future bonded indebtedness secured by the revenue measure, are intended to be developed where possible within the City consistent with the Housing Element, and the City will seek to leverage the tax resources acquired through this revenue measure to attract both private funding, non-profit funding and matching funds from both state and federal sources to provide additional affordable housing; and
5. The People recognize that the City of Santa Cruz is making progress addressing the homelessness crisis and the need for ongoing sustainable funding to support these efforts, in partnership with the County of Santa Cruz, by providing affordable and supportive housing; and
6. The People view affordable housing as a critical need, without which lower income persons and families are unlikely to achieve any level of stability or the ability to remain in the community; and
7. The People find that creating and improving housing for lower income individuals, families, essential workers and otherwise economically vulnerable persons living in the City is consistent with the City's vision to promote a healthy, safe and more affordable community, the City's mission to deliver quality, data driven services that strengthen our community and enhance opportunity, and the City's affordable housing goals; and
8. The People find that dedicating the proceeds of the revenue measure directly to the development of affordable housing supports a community where lower income working families and households can live

close to places of employment and promotes environmental sustainability by reducing overall vehicle miles traveled; and

9. The People find that it is in the public interest, serves a public purpose and is necessary that the funds of the City shall be expended for the purposes described herein, and the Council is authorized to direct expenditure of funds of the City for said purposes; and
10. Article XXXIV of the California Constitution provides that no low-rent housing project shall be developed, constructed, or acquired in any manner by any state public body until a majority of the qualified electors of the city or county in which it is proposed to develop, construct, or acquire the project, voting upon such issue, approve such project by voting in favor thereof at an election to be held for that purpose, or at any general or special election; and
11. The People now wish to submit a revenue measure to the qualified electors of the City at the November 4, 2025 election for the purpose of generating revenues, including through possible future bonded indebtedness secured by the revenue measure, to be spent on increasing the availability of affordable housing and the prevention of homelessness within the City.

SEC. 3. Purpose and Intent.

In enacting the CITY OF SANTA CRUZ WORKFORCE HOUSING AFFORDABILITY ACT OF 2025, it is the purpose and intent of the people of the City of Santa Cruz:

1. To provide necessary funding for a range of affordable housing developments serving the City's lower income and vulnerable populations.
2. To increase the supply of affordable housing in response to the affordable housing crisis facing the City.
3. To increase access to state and federal funding for affordable housing by providing additional City funds to leverage these outside funding sources and improve the competitiveness of City developments.
4. To obtain sufficient affordable housing funds to allow the City to support a variety of affordable housing initiatives.
5. To provide an additional and significant funding source to stimulate housing for the City's disadvantaged and economically vulnerable residents.
6. To increase the amount of City funds available for affordable housing without placing an undue burden on the City's property taxpayers.

SEC. 4. Title 3 "Revenue and Finance" of the City of Santa Cruz Municipal Code is hereby amended by adding Chapter 3.34, to be titled "Workforce Housing Affordability Act of 2025" to read as follows:

"Chapter 3.34

WORKFORCE HOUSING AFFORDABILITY ACT OF 2025

Part 1: EXPENDITURES

3.34.010 DEFINITIONS.

- (a) "Act" shall mean the City of Santa Cruz Workforce Housing Affordability Act of 2025.

(b) “Affordable and Workforce Housing” shall mean housing that is affordable for extremely low, very low, low and moderate income households as defined by the Section 24.16.015.

(c) “Affordable Housing Fund” shall mean the fund established by Section 3.34.030 of this Act.

(d) “Affordable Housing Trust Fund” or “AHTF” shall mean the City of Santa Cruz Affordable Housing Trust Fund established by City Council Resolution No. NS-26410, as may have been for thereafter may be amended by City Council resolution.

(e) “AHTF Guidelines” shall mean the City of Santa Cruz Affordable Housing Trust Fund Administrative Guidelines, Department of Economic Development, Housing Division adopted by the City Council on October 28, 2003 by Resolution No. NS-26410; as revised by the City Council on April 25, 26 (adding Section 5.4.i) by Resolution No. NS-27214; as revised on May 2, 2014 updating organization change to Economic Development; as revised July 28, 2020 as directed by the City Council on June 23, 2020 and for consistency with State Local Housing Trust Fund (“LHTF”) Program application, and as may thereafter be amended by City Council resolution.

(f) “Area Median Income” shall mean the area median income for Santa Cruz County as published and periodically updated by the state of California pursuant to California Code of Regulations, Title 25, Section 6932, or successor provision.

(g) “Housing to Reduce/Prevent Homelessness Fund” shall mean the fund established by Section 3.34.040 of this Act.

(h) “Oversight, Accountability, and Administration Fund” shall mean the fund established by Section 3.34.050 of this Act.

(i) "Proceeds of the tax revenue measure" shall mean all revenue derived from the taxes imposed by this Act net of the cost of collection.

3.34.020 ACCOUNTABILITY – CITIZENS’ OVERSIGHT COMMITTEE.

(a) Pursuant to Sections 50075.1 and 50075.3 of the California Government Code, the specific purposes of the tax and the requirement that the tax proceeds be applied to such purposes and the establishment of a special fund for the tax proceeds are as set forth in Section 3.34.030-050. So long as the tax is collected hereunder, commencing no later than July 1, 2026, and annually thereafter, the Director of Finance is hereby authorized and directed to cause to be prepared and filed with the council an annual report that shows the amount of tax collected and expended and the status of any projects funded with the tax proceeds. For the purposes of this section, the Director of Finance is authorized to retain such consultants, accountants or agents as may be necessary or convenient to accomplish the foregoing.

(b) A three-member Financial Oversight Committee shall be established, composed of the Director of Finance, the Chief Executive Officer of a local bank, credit union or other local financial institution to be appointed by the City Council, and a public member to be appointed by the City Council to ensure that expenditures of the tax proceeds of the Act are in accordance with the terms of the Act..

3.34.030 AFFORDABLE HOUSING FUND.

(a) The fund. There is hereby established the Affordable and Workforce Housing Fund.

(b) Revenue. For each fiscal year eighty-seven percent (87%) of the proceeds of the revenue tax measure shall be appropriated, together with interest that accrues thereon, for the purposes specified in Section (c) of this Section.

(c) Eligible uses. Moneys in the Affordable and Workforce Housing Fund shall be deposited into and shall be expended in accordance with the City's Affordable Housing Trust Fund including the following:

1. Construction of new affordable units, including tiny homes, social housing;
2. Preservation of existing affordable housing;
3. Affordable housing project planning, project development and support;
4. Assistance with multifamily rehabilitation programs;
5. Conversion of market rate units to affordable housing;
6. Construction, conversion or rehabilitation of income-restricted accessory dwelling units;
7. Gap financing for acquisition and rehabilitation of potential limited equity cooperatives;
8. First time homebuyer down payment assistance loans;
9. Predevelopment loans/grants to assist nonprofit and for-profit developers with project feasibility studies, site acquisition and design studies for potential affordable housing projects;
10. Payment of debt service or ground-lease payments for projects authorized by this section;
11. Santa Cruz City residents and workers, and veterans shall have priority for obtaining housing units, to the extent allowed by law;
12. Funds from the measure may be allocated to developments that provide housing units to households at a variety of low and moderate-income levels;
13. Funds from the measure may be allocated to either rental or for-sale housing developments.

(d) Restrictions on uses:

1. Eminent domain actions are prohibited.
2. All affordable housing shall be deed restricted for a minimum of 55 years for rental units and 45 years for for-sale housing.
3. To the extent feasible, the funds from the measure shall be allocated only for developments where other funding sources provide the majority of the construction financing.
4. Funds from the measure shall not be used to replace existing deed-restricted affordable housing unless they are replaced on a two-to-one basis and existing residents receive relocation assistance and have a right of first refusal.
5. Santa Cruz City residents, workers and veterans shall have priority for obtaining housing units, to the extent allowable by law.

3.34.040 HOUSING TO PREVENT/REDUCE HOMELESSNESS FUND.

(a) The Fund. There is hereby established the Housing to Prevent/Reduce Homelessness Fund.

(b) Revenue. For each fiscal year ten percent (10%) of the proceeds of the revenue measure shall be appropriated, together with interest that accrues thereon, for the purposes specified in Section (c) of this Section.

(c) Eligible uses. Moneys in the Housing To Prevent/Reduce Homelessness Fund shall be used for the purpose of assisting persons who became homeless while living in the City of Santa Cruz without housing, or

those at immediate risk of losing housing, including adults, children, and youth, and persons with mental health issues, to secure permanent supportive housing. To that end, uses under this section shall be limited to:

1. Construction, acquisition, rehabilitation, lease and preservation of permanent supportive housing. For purposes of this Section, “permanent supportive housing” means housing that provides a rental subsidy and onsite supportive services for adults, families, and youth living in the City of Santa Cruz without any housing;
2. Construction, acquisition, rehabilitation, lease, or preservation of buildings and facilities that provide supportive housing for adults, families and youth living in the City of Santa Cruz without any housing, including short-term residential shelter, navigation centers and shelters;
3. Programs providing for (1) payments of up two months of rent arrearages paid directly to property owners for purposes of assisting lower-income tenants who are at risk of losing their housing , and/or (2) payments for security deposits and/or last month’s rent paid directly to property owners to support immediate rehousing of displaced qualifying lower-income tenants;
4. Payment of debt service or lease payments for projects authorized by this section; and
5. Provision of emergency shelter.

(d) Restrictions on uses:

1. Eminent domain actions are prohibited.
2. Santa Cruz City residents, workers and veterans shall have priority for obtaining housing units, to the extent allowable by law.

3.34.050 OVERSIGHT, ACCOUNTABILITY AND ADMINISTRATION FUND.

- (a) The fund. There is hereby established the Oversight, Accountability, and Administration Fund.
- (b) Revenue. Revenue. For each fiscal year three percent (3%) of the proceeds of the revenue tax measure shall be appropriated, together with interest that accrues thereon, for the purposes specified in Section (c) of this Section.
- (c) Eligible uses. Moneys in the Oversight, Accountability and Administration Funds shall be used for the following purposes:
 1. Payment of the administrative expenses of implementing the Act;
 2. Payment for City oversight of the expenditures described in the Act;
 3. Payment for City expenses providing support Financial Oversight Committee; and
 4. Payment for professional services rendered in support of implementing the Act.
- (d) Transfer to Program Funds. To the extent that at the end of each two (2) year budget period any unspent and unencumbered or undesignated funds remain in the Oversight, Accountability, and Administration Fund, the remaining funds shall be transferred to the Affordable and Workforce Housing Fund and the Housing to Prevent/Reduce Homelessness Fund in the same proportion as those funds are allocated pursuant to Sections 3.34.030 and 3.34.040, above.

Part 2: PARCEL TAX

3.34.060 PARCEL TAX IMPOSED.

- (a) Definitions. For purposes of this Part only, the following terms shall be defined as set forth below:
1. "Building" shall mean any structure having a roof supported by columns or by walls and designed for the shelter or housing of any person, chattel or property of any kind. The word "Building" includes the word "structure."
 2. "City" shall mean the City of Santa Cruz, California.
 3. "Occupancy" shall be as defined by Section 24.22.574.
 4. "Owner" shall mean the Person having title to real estate as shown on the most current official assessment role of the Santa Cruz County Assessor.
 5. "Parcel" shall mean a unit of real estate in the City of Santa Cruz as shown on the most current official assessment role of the Santa Cruz County Assessor.
 6. "Person" shall mean an individual, firm, partnership, joint venture, association, social club, fraternal organization, joint stock company, corporation, estate, trust, business trust, receiver, trustee, syndicate, or any other group or combination acting as a unit.
 7. "Possessory Interest" as it applies to property owned by any agency of the government of the United States, the State of California, or any political subdivision thereof, shall mean possession of, claim to, or right to the possession of, land or Improvements and shall include any exclusive right to the use of such land or Improvements.

(b) Tax Rates. For each year during which the Act is in effect, beginning in fiscal year 2026-2027, there is hereby imposed a tax on all Owners of parcels in the City for the privilege of using municipal services and the availability of such services. The tax imposed by this Section shall be assessed on the Owner or the Owner's parcel unless the Owner is by law exempt from taxation, in which case, the tax imposed shall be assessed to the holder of any Possessory Interest in such Parcel, unless such holder is also by law exempt from taxation. The tax is imposed as of July 1 of each year on the person who owned the parcel on that date. The tax shall be collected at the same time, by the same officials, and pursuant to the same procedures as the one percent (1%) ad valorem property tax imposed pursuant to Article XIII A of the California Constitution. The tax hereby imposed shall be set at the annual rate of ninety-six dollars (\$96) per Parcel, which shall not be increased during the twenty (20) year term of this measure. An Owner of residential rental property shall be prohibited from passing any portion of the tax imposed by this section onto their tenant or tenants.

3.34.070 EXEMPTIONS.

(a) Low-income household exemption. The following is exempt from this tax: an Owner of a Single-Family Residential Unit (1) who resides in such unit and (2) whose combined family income, from all sources for the previous year, is at or below the income level qualifying as sixty percent (60%) of area median income for a Family of such size under Section 8 of the United States Housing Act of 1937 (42 U.S.C.A. Sections 1437 et. seq.), or successor legislation, for such year. The Director of Finance shall set forth procedures for annual applications from Owners for the exemption, which may require information such as federal income tax returns and W-2 forms of owner occupants eligible for the exemption, or procedures for an alternative process.

(b) Senior household exemption. The following is exempt from this tax: an Owner of a Single-Family Residential Unit (1) who resides in such unit, (2) who is sixty-five (65) years of age or older and (3) whose combined family income, from all sources for the previous year, is at or below the income level qualifying as eighty percent (80%) of area median income for a Family of such size under Section 8 of the United States Housing Act of 1937 (42 U.S.C.A. Sections 1437 et. seq.), or successor legislation, for such year. The Director of Finance shall set forth procedures for annual applications from Owners for the exemption, which may require information such as federal income tax returns and W-2 forms of owner occupants eligible for the exemption, or procedures for an alternative process.

(c) Exemption for 100% affordable housing projects. Rental housing for senior, disabled, and low-income households that are exempt from ad valorem property tax pursuant to California Revenue and Taxation Code Sections 214(f), (g) and (h) are exempt from this tax.

(d) Real property owned by religious organizations, schools or other entities that are exempt from property taxes under California law are exempt from this tax. To qualify for this exemption, each religious organization, school or entity seeking such exemption shall submit such information required to determine eligibility for such exemption.

3.34.090 DUTIES OF THE DIRECTOR OF FINANCE; NOTICE OF DECISIONS.

It shall be the duty of the Director of Finance to collect and receive all taxes imposed by this Act. The Director of Finance is charged with the enforcement of this Act and may adopt rules and regulations relating to such enforcement.

3.34.100 EXAMINATION OF BOOKS, RECORDS, WITNESSES; PENALTIES.

The Director of Finance or their designee is hereby authorized to examine assessment rolls, property tax records, records of the Santa Cruz County Recorder and any other records of the County of Santa Cruz deemed necessary in order to determine ownership of Parcels and computation of the tax imposed by this Act. The Director of Finance or the Director of Finance's designee is hereby authorized to examine the books, papers and records of any person subject to the tax imposed by this Act, including any person who claims an exemption, for the purpose of verifying the accuracy of any petition, claim or return filed and to ascertain the tax due. The Director of Finance, or the Director of Finance's designee is hereby authorized to examine any person, under oath, for the purpose of verifying the accuracy of any petition, claim or return filed or to ascertain the tax due under this Act and for this purpose may compel the production of books, papers and records, whether as parties or witnesses, whenever the Director of Finance believes such persons have knowledge of such matters. The refusal of such examination by any person subject to the tax shall be deemed a violation of this Act and of the Santa Cruz Municipal Code and subject to any and all remedies specified therein.

3.34.110 COLLECTION OF TAX; INTEREST AND PENALTIES.

The tax shall be delinquent if the City does not receive it on or before the delinquency date set forth in the notice mailed to the Owner's address as shown on the most current assessment roll of the Santa Cruz County Tax Collector; and the tax shall be collected in such a manner as the City Council may decide. The City may place delinquencies on a subsequent tax bill. A one-time penalty in the amount of twenty-five percent (25%) of the tax due per fiscal year, is hereby imposed by this Act on all taxpayers who fail to timely pay the tax provided by this Act. In addition, the City Council may assess interest at the rate of one percent (1%) per month on the unpaid tax and the penalty thereon.

Every penalty imposed and such interest as accrues under the provisions of this Act shall become a part of the tax herein required to be paid.

The City may authorize the County of Santa Cruz to collect the taxes imposed by this Act in conjunction with and at the same time and in the same manner as the County collects property taxes for the City. If the City elects to authorize the County of Santa Cruz to collect the tax, penalties and interest shall be those applicable to the nonpayment of property taxes.

3.34.120 COLLECTION OF UNPAID TAXES.

The amount of any tax, penalty, and interest imposed under the provisions of this Act shall be deemed a debt to the City. Any person owing money under the provisions of this Act shall be liable to an action brought in the name of the City for the recovery for such amount.

3.34.130 REFUND OF TAX, PENALTY, OR INTEREST PAID MORE THAN ONCE, OR ERRONEOUSLY OR ILLEGALLY COLLECTED.

Whenever the amount of any tax, penalty, or interest imposed by this Act has been paid more than once or has been erroneously or illegally collected or received by the City, it may be refunded provided a verified written claim for refund, stating the specific ground upon which such claim is founded, is received by the Director of Finance within one (1) year of the date of payment. The claim shall be filed by the person who paid the tax or such person's guardian, conservator, or the executor of their estate. No representative claim may be filed on behalf of a taxpayers or a class of taxpayers. The claim shall be reviewed by the Director of Finance and shall be made on forms provided by the Director of Finance. If the claim is approved by the Director of Finance, the excess amount collected or paid may be refunded or may be credited against any amounts then due and payable from the person from whom it was collected or by whom paid, and the balance may be refunded to such person, or such person's administrators or executors. Filing a claim shall be a condition precedent to legal action against the City for a refund of the tax.

3.34.140 REGULATIONS.

The City Manager is hereby authorized to promulgate such regulations as he or she shall deem necessary in order to implement the provisions of this Act.”

Part 3:

REAL PROPERTY TRANSFER TAX

3.34.150 PURPOSE

This Part is adopted pursuant to the authority contained in Part 6.7 (commencing with Section 11901) of Division 2 of the Revenue and Taxation Code of the State of California, and pursuant to the authority of Article IV of the Charter of the City of Santa Cruz and other authority held as a chartered city. The tax imposed hereunder is for the purpose of raising revenue to support implementation of the City of Santa Cruz Workforce Housing Affordability Act of 2025, as set forth in Part 1, above, and is in addition to the tax imposed by Chapter 3.32 – Real Property Transfer Tax.

3.34.160 TAX IMPOSED.

(a) Commencing July 1, 2026, there is hereby imposed a tax on each deed, instrument, or writing, or any other document or change in control and ownership of legal entities, by which any lands, interests in lands, tenements, or other interests in real property located in the City of Santa Cruz is or are granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser or purchasers, or any other person or persons, by his or her or their direction. The amount of the tax shall be based on the value of consideration or property conveyed (including the value of any lien or encumbrance remaining thereon at the time of sale), and shall be calculated at the following rates:

(1) Nothing herein shall be construed as creating any new tax on the value of consideration for property paid that is less than one million eight-hundred thousand dollars (\$1,800,00.00).

(2) The rate of the tax shall be one-half of one percent (0.5%) (five dollars (\$5.00) for each one thousand dollars (\$1,000.00) or fractional part thereof) for the value of consideration for property paid in excess of one million eight-hundred thousand dollars \$1,800,000 but less than two million five-hundred thousand dollars (\$2,500,000.00).

(3) The rate of the tax shall be one percent (1%) (ten dollars (\$10.00) for each one thousand dollars (\$1,000.00) or fractional part thereof) for the value of the consideration for property conveyed in excess of two million five-hundred thousand dollars (\$2,500,000) but less than three million five-hundred thousand dollars (\$3,500,000).

(4) The rate of the tax shall be one and one-half percent (1.50%) (fifteen dollars (\$15.00) for each one thousand dollars (\$1,000.00) or fractional part thereof) for the value of the consideration for property conveyed in excess of three million five-hundred thousand dollars (\$3,500,000) but less than four million five-hundred thousand dollars (\$4,500,000).

(5) The rate of the tax shall be two percent (2.00%) (twenty dollars (\$20.00) for each one thousand dollars (\$1,000.00) or fractional part thereof) for the value of the consideration for property conveyed in excess of four million five-hundred thousand dollars (\$4,500,000) provided, however, that the maximum amount of tax paid on any taxable transaction shall not exceed two hundred thousand dollars (\$200,000).

(b) Except as otherwise set forth herein, this tax shall apply regardless of the method by which the transfer is accomplished or the relationship of the parties to the transfer.

(c) Commencing July 1, 2027, and annually thereafter during the life of the Act, the tax thresholds for consideration of the value of property conveyed as established by subsections (a)(1)-(5), above, shall be adjusted annually by the change in percentage of the cost of living for the prior year, measured from the most recent prior quarterly report for California Consumer Price Index for All Urban Consumers (CPI-U) for All Items as published by the California Department of Industrial Relations ("CPI-U"), and the cap established by subsection (a)(5) shall be adjusted by the change in CPI-U, or three percent (3%), whichever is less.

3.34.170 DEFINITIONS.

As used in this Part:

"Change in control and ownership of legal entities" means any direct or indirect acquisition or transfer of ownership interest or control in a legal entity that constitutes a change in ownership or transfer of the real property of the entity under California Revenue and Taxation Code Section 64.

"Person" and "persons" mean any natural person, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, co-partnership, joint venture, club, company, joint stock company, business trust, limited liability company, municipal corporation, political subdivision of the State of California, domestic or foreign corporation, association, syndicate, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit, or otherwise, and the United States or any instrumentality thereof, and any natural person, who as an individual or with a spouse owns fifty-one percent (51%) or more of the capital stock of a corporation obligated to file a declaration and pay tax pursuant to this Part; and in addition, is a person with the power to control the fiscal decision-making process by which the corporation allocates funds to creditors in preference to its tax obligations under the provisions of this Part. A person as defined herein, who is also an officer or director of a corporation obligated to file declarations and pay tax pursuant to this Part, shall be presumed to be a person with the power to control the fiscal decision-making process. Whenever the term "person" is used in any clause prescribing and imposing a penalty, the term as applied to association shall mean the owners or part owners thereof, and as applied to corporations, the officers thereof.

"Real property" and "realty" mean real property as defined by and under the laws of the State of California.

3.34.180 PERSON ON WHOM TAX IMPOSED.

Any persons who make a transfer which is subject to the tax imposed under Section 3.34.160, and any persons to whom such a transfer is made, shall be jointly and severally liable for payment of the tax imposed under Section 3.34.160.

3.34.190 EXCEPTION: INSTRUMENT TO SECURE DEBT

Pursuant to Cal. Revenue & Taxation Code section 11921, any tax imposed pursuant to this Part shall not apply to any instrument in writing given to secure a debt. Nothing in this Part shall be deemed to exclude the amount of any such indebtedness from being included in the value of consideration in connection with any conveyance which is not made solely to secure an obligation or a debt.

3.34.200 EXCEPTION: INSTRUMENTS OF THE UNITED STATES, STATE, TERRITORY OR POLITICAL SUBDIVISIONS, ETC.

Pursuant to Cal. Revenue & Taxation Code section 11922, any deed, instrument, or writing to which the United States or any agency or instrumentality thereof, any state or territory, or political subdivision thereof, is a party shall be exempt from any tax imposed pursuant to this Part when the exempt agency is acquiring title.

3.34.210 EXCEPTION: CONVEYANCES UNDER REORGANIZATION OR ADJUSTMENT PLANS.

Pursuant to Cal. Revenue & Taxation Code section 11923, any tax imposed pursuant to this Part shall not apply to the making, delivering, or filing of conveyances to make effective any plan of reorganization or adjustment that is any of the following:

- (a) Confirmed under the Federal Bankruptcy Code, as amended.
- (b) Approved in an equity receivership proceeding in a court involving a railroad corporation, as defined in Section 101 of Title 11 of the United States Code, as amended.
- (c) Approved in an equity receivership proceeding in a court involving a corporation, as defined in Section 101 of Title 11 of the United States Code, as amended.
- (d) Whereby a mere change in identity, form, or place of organization is effected.

Subsections (a) to (d), inclusive, of this section shall only apply if the making, delivery, or filing of instruments of transfer or conveyance occurs within five (5) years from the date of such confirmation, approval, or change.

3.34.220 EXCEPTION: ORDERS OF THE SECURITIES AND EXCHANGE COMMISSION.

Pursuant to Cal. Revenue & Taxation Code section 11924 any tax imposed pursuant to this Part shall not apply to the making or delivery of conveyances to make effective any order of the Securities and Exchange Commission, as defined in subdivision (a) of Section 1083 of the Internal Revenue Code of 1954; but only if:

- (a) The order of the Securities and Exchange Commission in obedience to which such conveyance is made is necessary or appropriate to effectuate the provisions of Section 79k of Title 15 of the United States Code, relating to the Public Utility Holding Company Act of 1935;
- (b) Such order specifies the property which is ordered to be conveyed; and
- (c) Such conveyance is made in obedience to such order.

3.34.230 EXCEPTION: TRANSFER OF CERTAIN PARTNERSHIP PROPERTY.

(a) Pursuant to Cal. Revenue & Taxation Code section 11925, in the case of any realty held by a partnership or other entity treated as a partnership for federal income tax purposes, no levy shall be imposed pursuant to this Part by reason of any transfer of an interest in the partnership or other entity or otherwise, if both of the following occur:

(1) The partnership or other entity treated as a partnership is considered a continuing partnership within the meaning of Section 708 of the Internal Revenue Code of 1986.

(2) The continuing partnership or other entity treated as a partnership continues to hold the realty concerned.

(b) If there is a termination of any partnership or other entity treated as a partnership for federal income tax purposes, within the meaning of Section 708 of the Internal Revenue Code of 1986, for purposes of this Part, the partnership or other entity shall be treated as having executed an instrument whereby there was conveyed, for fair market value (including the value of any lien or encumbrance remaining thereon), all realty held by the partnership or other entity at the time of the termination.

(c) Not more than one (1) tax shall be imposed pursuant to this Part by reason of a termination described in subsection (b) of this section, and any transfer pursuant thereto, with respect to the realty held by a partnership or other entity treated as a partnership at the time of the termination.

(d) No levy shall be imposed pursuant to this Part by reason of any transfer between an individual or individuals and a legal entity or between legal entities that results solely in a change in the method of holding title to the realty and in which proportional ownership interests in the realty, whether represented by stock, membership interest, partnership interest, co-tenancy interest, or otherwise, directly or indirectly, remain the same immediately after the transfer.

3.34.240 EXCEPTION: DEED IN LIEU OF FORECLOSURE.

Pursuant to Cal. Revenue & Taxation Code section 11926, any tax imposed pursuant to this Part shall not apply with respect to any deed, instrument, or writing to a beneficiary or mortgagee, which is taken from the mortgagor or trustor as a result of or in lieu of foreclosure; provided, that such tax shall apply to the extent that the consideration exceeds the unpaid debt, including accrued interest and cost of foreclosure. Consideration, unpaid debt amount, and identification of grantee as beneficiary or mortgagee shall be noted on said deed, instrument, or writing or stated in an affidavit or declaration under penalty of perjury for tax purposes.

3.34.250 EXCEPTION: TRANSFER OF RESTRICTED AFFORDABLE UNITS.

Any tax imposed pursuant to this Part shall not apply to transfers of real property where said real property is encumbered by a recorded and enforceable covenant executed in favor of the City restricting the ownership and occupancy of said real property, for a period of no less than thirty (30) years following the date of transfer, to “persons and families of low or moderate income” as defined in California Health and Safety Code Section 50093.

3.34.252 EXCEPTION: MARITAL PROPERTY

(a) Pursuant to Cal. Revenue & Taxation Code section 11927, any tax imposed pursuant to this Part shall not apply with respect to any deed, instrument, or other writing which purports to transfer, divide, or allocate community, quasi-community, or quasi-marital property assets between spouses for the purpose of effecting a division of community, quasi-community, or quasi-marital property which is required by a judgment decreeing a dissolution of the marriage or legal separation, by a judgment of nullity, or by any other judgment or order rendered pursuant to the Family Code, or by a written agreement between the spouses, executed in contemplation

of any such judgment or order, whether or not the written agreement is incorporated as part of any of those judgments or orders.

(b) In order to qualify for the exemption provided in subdivision (a), the deed, instrument, or other writing shall include a written recital, signed by either spouse, stating that the deed, instrument, or other writing is entitled to the exemption.

3.34.254 EXCEPTION: CONVEYANCE BY GOVERNMENTAL ENTITY AND RECONVEYANCE TO EXEMPT PUBLIC AGENCY.

Pursuant to Cal. Revenue & Taxation Code section 11928, any tax imposed pursuant to this Part shall not apply with respect to any deed, instrument, or other writing by which realty is conveyed by the State of California, any political subdivision thereof, or agency or instrumentality of either thereof, pursuant to an agreement whereby the purchaser agrees to immediately reconvey the realty to the exempt agency.

3.34.256 CERTAIN CONVEYANCES BY GOVERNMENTAL ENTITY TO NONPROFIT CORPORATION.

Pursuant to Cal. Revenue & Taxation Code section 11929, any tax imposed pursuant to this Part shall not apply with respect to any deed, instrument, or other writing by which the State of California, any political subdivision thereof, or agency or instrumentality of either thereof, conveys to a nonprofit corporation realty the acquisition, construction, or improvement of which was financed or refinanced by obligations issued by the nonprofit corporation on behalf of a governmental unit, within the meaning of Section 1.103–[1 \(b\)](#) of Title 26 of the Code of Federal Regulations.

3.34.258 TRANSFER BY INTER VIVOS GIFT OR BY DEATH.

Pursuant to Cal. Revenue & Taxation Code section 11930, any tax imposed pursuant to this Part shall not apply to any deed, instrument, or other writing which purports to grant, assign, transfer, convey, divide, allocate, or vest lands, tenements, or realty, or any interest therein, if by reason of such inter vivos gift or by reason of the death of any person, such lands, tenements, realty, or interests therein are transferred outright to, or in trust for the benefit of, any person or entity.

3.34.260 ADMINISTRATION OF TAX.

The Director of Finance (hereinafter referred to in this Part as “Tax Administrator”) shall collect the tax imposed under this Part and shall otherwise administer this Part. The Tax Administrator may make such rules and regulations, not inconsistent with this Part, as he or she may deem reasonably necessary or desirable to administer this Part, as well as necessary forms and receipts.

3.34.270 DUE DATES, DELINQUENCIES, PENALTIES, INTEREST, ADMINISTRATIVE CHARGES, AND LIEN RELEASE RECORDATION FEES.

The tax imposed under this Part is due and payable at the time the deed, instrument, or writing effecting a transfer subject to the tax is delivered, and is delinquent if unpaid ninety (90) days later. In cases where a transfer is effected but not recorded with the County Recorder within ninety (90) days of the date on which the deed, instrument, or writing was delivered, all statutes of limitations regarding liability for the tax imposed by this Part shall be tolled until the City has actual knowledge of the transfer, at which time the tax on the unrecorded transfer shall relate back to the date on which the deed, instrument, or writing was delivered. Penalties and interest shall be deemed to have begun accruing on the date the deed, instrument, or writing was delivered, and shall be the joint and several liability of the persons referred to in Section 3.34.090. If the tax is not paid prior to becoming delinquent, a delinquency penalty of ten percent (10%) of the amount of the tax due shall accrue. In

the event only a portion of the tax is unpaid prior to becoming delinquent, the penalty shall only accrue as to the unpaid portion. An additional penalty of fifteen percent (15%) of the amount of tax due shall accrue if the tax remains unpaid on the ninetieth day following the date of the original delinquency. Interest shall accrue at the rate of one percent (1%) per month or fraction thereof, on the amount of the tax, inclusive of penalties, from the date the tax becomes delinquent to the date of payment. Interest and penalties shall become part of the tax. An administrative charge and a release of lien filing fee equal to the amount charged by the Santa Cruz Santa Cruz County Recorder's Office shall be added to the amount owed for each property approved for a tax lien by the City Council.

3.34.280 DECLARATION MAY BE REQUIRED.

The tax imposed by this Part shall be paid to the Tax Administrator by the persons referred to in Section 3.34.090. The Tax Administrator shall have the authority as part of any rules and regulations promulgated by them as authorized herein to require that the payment shall be accompanied by a declaration of the amount of tax due signed by the person paying the tax or by their duly authorized agent. The declaration shall include a statement that the value of the consideration on which the tax due was computed includes all indebtedness secured by liens, deeds of trust, or other encumbrances remaining or placed on the property transferred at the time of transfer, and also includes all special assessments on the property which a purchaser or transferee agrees to pay or which remains a lien on the property at the time of transfer. The declaration shall identify the deed, instrument, or writing effecting the transfer for which the tax is being paid. The Tax Administrator may require delivery to them of a copy of such deed, instrument, or writing whenever he or she deems such to be reasonably necessary to adequately identify such writing or to administer the provisions of this Part. The Tax Administrator may rely on the declaration as to the amount of the tax due; provided, that he or she has no reason to believe that the full amount of the tax due is not shown on the declaration.

Whenever the Tax Administrator has reason to believe that the full amount of tax due is not shown on the declaration or has not been paid, they may, by notice served upon any person liable for the tax, require them to furnish a true copy of their records relevant to the value of the consideration or fair market value of the property transferred. Such notice may be served at any time within three (3) years after recordation of the deed, instrument, or writing which transfers such property.

3.34.290 DETERMINATION OF DEFICIENCY.

If on the basis of such information as the Tax Administrator receives pursuant to Section 3.34.190, or on the basis of such other relevant information that comes into the Tax Administrator's possession, they it is determined that the amount of tax due as set forth in the declaration, or as paid, is insufficient, the Tax Administrator may re-compute the tax due on the basis of such information.

If the declaration referenced in Section 3.34.190 is not submitted, the Tax Administrator may make an estimate of the value of the consideration for the property conveyed and determine the amount of tax to be paid on the basis of any information in the Tax Administrator's possession or that may come into their possession.

One (1) or more deficiency determinations may be made of the amount due with respect to any transfer.

3.34.300 NOTICE OF DETERMINATION.

The Tax Administrator shall give written notice to a person liable for payment of the tax imposed under this Part of the determination made under Section 3.34.200. Such notice shall be given within three (3) years after the recordation of the deed, instrument, or writing effecting the transfer on which the tax deficiency determination was made.

3.34.310 MANNER OF GIVING NOTICE.

Any notice required to be given by the Tax Administrator under this Part may be served personally or by mail. If service is made by mail, it shall be made by depositing the notice in the United States mail, in a sealed envelope with postage paid, addressed to the person on whom it is to be served at the address as it appears in the records of the City or as ascertained by the Tax Administrator. The service is complete at the time of the deposit of the notice in the United States mail, without extension of time for any reason.

3.34.320 PETITION FOR REDETERMINATION.

Any person against whom a determination is made under this Part or any person directly interested may petition the Tax Administrator for a redetermination within sixty (60) days after service upon the person of notice thereof. If a petition for redetermination is not filed in writing with the Tax Administrator, City of Santa Cruz, 809 Center Street, Santa Cruz, California 95060, within the sixty (60) day period, the determination becomes final at the expiration of the period.

3.34.330 CONSIDERATION OF PETITION – HEARING.

If a petition for redetermination is filed within the sixty (60) day period, the Tax Administrator shall reconsider the determination and, if the person has so requested in their petition, shall grant the person an oral hearing, and shall give them ten (10) days' notice of the time and place of the hearing. The Tax Administrator may designate one (1) or more deputies for the purpose of conducting hearings and may continue a hearing from time to time as may be necessary.

3.34.340 DETERMINATION OF PETITION.

The Tax Administrator may decrease or increase the amount of the determination before it becomes final, but the amount may be increased only if a claim for the increase is asserted by the Tax Administrator at or before the hearing.

3.34.350 FINALITY OF DETERMINATION.

The order or decision of the Tax Administrator upon a petition for redetermination becomes final thirty (30) days after service of notice thereof upon the petitioner or at the time of hearing of redetermination. There is no appeal of the Tax Administrator's decision on a petition for redetermination to the City Manager or City Council. Writs challenging the Tax Administrator's decision must be filed with the appropriate court within ninety (90) days of the final date of such redetermination. (California Code of Civil Procedure Section 1094.6.)

3.34.360 TAX A DEBT.

The amount of any tax, penalty, and interest imposed under the provisions of this Part shall be deemed a debt owed to the City. Any person owing money to the City under the provisions of this Part shall be liable in an action brought in the name of the City for the recovery of such amount. In such action a reasonable attorney's fee shall be awarded the prevailing plaintiff. The provisions of this section shall not be deemed a limitation upon the right of the City to bring any other action, whether criminal, legal, or equitable, based upon the failure to pay the tax, penalty, or interest imposed by this Part or the failure to comply with any of the provisions hereof.

3.34.370 REFUNDS.

Whenever the amount of any tax, penalty, or interest has been overpaid, or paid more than once, or has been erroneously collected or received by the City under this Part, it may be refunded as provided in this section; provided, that a written claim stating under penalty of perjury the specific grounds on which the refund is claimed is filed with the Tax Administrator within one (1) year of the date of payment. The claim shall be submitted on forms furnished by the Tax Administrator. The Tax Administrator may make such refund if satisfied that the claimant is entitled to the refund under the provisions of this Part. No refund shall be paid under

the provisions of this section unless the claimant establishes their right thereto by written records showing entitlement thereto.

3.34.380 TAX A LIEN.

The amount of tax, penalty, and interest imposed under the provisions of this Part is assessed against the property upon the transfer of which the tax is imposed, and if not paid when due, such tax shall constitute an assessment against such property and shall be a lien on the property for the amount thereof, which lien shall continue until the amount thereof including all penalties and interest are paid, or until it is discharged of record. Any person owing money to the City under the provisions of this Part shall be liable to an action brought in the name of the City for the recovery of such amount.

3.34.390 NOTICE OF HEARING ON LIEN.

The Tax Administrator shall file with the City Manager a written notice of those persons on whom the City will file liens. Upon the receipt of such notice, the City Manager shall present the same to the City Council, and the City Council shall forthwith, by resolution, fix a time and place for a public hearing on such notice.

The Tax Administrator shall cause a copy of such resolution and notice to be served upon the persons referred to in this section not less than ten (10) days prior to the time fixed for such hearing. Such service shall be made by mailing a copy of the resolution and notice to the transferor and transferee of property at their last known address. Service shall be deemed complete at the time of deposit in the United States mail.

3.34.400 COLLECTION OF DELINQUENT TAXES BY SPECIAL TAX ROLL ASSESSMENT.

If the City Council authorizes the imposition of a lien following the hearing described in Section 3.34.300, any delinquent tax charges which remain unpaid by the transferor or transferee shall constitute a special assessment against said property, and shall be collected at such time as is established by the County Assessor for inclusion in the next property tax assessment.

The Tax Administrator shall turn over to the County Assessor for inclusion in the next property tax assessment the total sum of unpaid delinquent charges consisting of the delinquent transfer taxes, penalties, and interest at the rate of twelve percent (12%) per annum from the date of recordation to the date of lien.

Thereafter, said assessment may be collected at the same time and in the same manner as ordinary municipal taxes are collected, and shall be subject to the same penalties and the same procedure of sale as provided for delinquent, ordinary, municipal taxes. The assessment lien previously imposed upon the property is paramount to all other liens except for those of State, county, and municipal taxes with which it shall be upon parity. The lien shall continue until the assessment and all interest and charges due and payable thereon are paid. All taxes applicable to the levy, collection, and enforcement of municipal taxes shall be applicable to said special assessments.

Part 4:

LABOR STANDARDS

3.34.410 LOCAL HIRING

Any construction contract awarded for any project receiving funding or financing from revenue from the Affordable Housing Act shall include language approved in advance by the City requiring the contractor, and any subcontractors, to comply with City of Santa Cruz Municipal Code Chapter 3.10, requiring the contractor and all subcontractors to make good faith efforts to hire qualified individuals who are local residents, as workers on City public works projects valued greater than the limit for formal bidding, unless otherwise prohibited by applicable laws and regulations.

3.34.420 PREVAILING WAGES

Any project receiving funding or financing from revenue from the Affordable Housing Act shall be deemed a public work in accordance with Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the California Labor Code, and any construction contract awarded thereunder shall include language approved in advance by the City requiring the contractor, and all subcontractors, to pay prevailing wages in accordance with Article 2 of said Chapter (commencing with Labor Code Section 1770).

3.34.430 APPRENTICESHIP

Any construction contract awarded for any project receiving funding or financing from revenue from the Affordable Housing Act shall include language approved in advance by the City requiring the contractor, and all subcontractors, to comply with Labor Code Sections 1777.5 and 1777.6 governing employment and payment of apprentices.”

SEC. 5. Compliance with Article XXXIV of the California Constitution.

To the extent the expenditure of any monies from the Affordable Housing Act results in, or contributes to, the development, construction, or acquisition of low rent housing projects in the City of Santa Cruz by public agencies, that development, construction, or acquisition is hereby deemed authorized by the People of Santa Cruz, having been duly approved by a majority of qualified electors of the City of Santa Cruz, and with such authorization constituting the approval required by Article XXXIV of the California Constitution. The development, construction, and/or acquisition of low rent housing units authorized by this section shall be in addition to any other authorization of the development, construction, and/or acquisition of such housing by the voters of the City of Santa Cruz before or after adoption of this section. This Section in no way restricts or limits the City's authority to develop or assist in the development of housing that is not subject to Article XXXIV. This Section shall be interpreted to maximize affordable housing production and acquisition. As used in this Section 5, the terms "public entity," "develop," "construct," "acquire," and "low rent housing projects" shall be interpreted in accordance with Article XXXIV of the California Constitution, California Health and Safety Code Section 37000 et seq., and any successor legislation thereto.

SEC. 6. Savings Clause.

If any provision, sentence, clause, Section or part of this Act is found to be unconstitutional, illegal or invalid, such unconstitutionality, illegality, or invalidity shall affect only such provision, sentence, clause, Section or part of this Act and shall not affect or Act any of the remaining provisions, sentences, clauses, Sections or parts of this ordinance. It is hereby declared to be the intention of the city, that the City would have adopted this Act had such unconstitutional, illegal or invalid provision, sentence, clause Section or part thereof not been included herein.

If any tax or surcharge imposed by this Act is found to be unconstitutional, illegal or invalid, the amounts, services, programs and personnel required to be funded from such taxes and surcharges shall be reduced proportionately by any revenues lost due to such unconstitutionality, illegality or invalidity.

SEC. 7. Amendment.

By approving this ordinance, the voters authorize the City Council to amend this Act without subsequent voter approval, provided such amendment does not increase the amount of tax paid by any taxpayer in excess of the rate set forth in this ordinance, change the allowed uses for the tax revenues or extend the expiration of the ordinance enacted hereby in accordance with Section 8, below.

SEC. 8. Expiration Date.

A. The taxes imposed by this ordinance shall expire after fiscal year 2046-2047, unless sooner rescinded on the effective date of any ballot measure rescinding or repealing this chapter.

SEC. 9. Challenge to Tax.

Any action to challenge the taxes imposed by this ordinance shall be brought pursuant to Government Code section 50077.5 and Code of Civil Procedure section 860 et seq.

SEC. 10. Severability.

If any provision of this Act, or part of this Act, or the application of any provision or part to any person or circumstances, is for any reason held to be invalid, the remaining provisions, or applications of provisions, shall not be affected, but shall remain in full force and effect, and to this end the provisions of this measure are severable. If a court were to find in a final, unreviewable judgment that the exclusion of one or more entities or activities from the applicability of the Act renders the Act unconstitutional, those exceptions should be severed and the Act should be made applicable to the entities or activities formerly exempt from the Act. It is the intent of the voters that this Act would have been enacted regardless of whether any invalid provision had been included or any invalid application had been made.

SEC. 11. Conflicting Initiatives.

If this measure is approved by the voters and another measure that conflicts with or is substantially similar to this measure but garners fewer votes than this measure, then this measure will take effect and the other measure will not. If this measure is approved by the voters at the same election but superseded by law by any other conflicting measure approved by voters at the same or a subsequent election, and the conflicting ballot measure is later held invalid, this measure shall be self-executing and given full force and effect.

SEC. 12. Liberal Construction.

This Act shall be liberally construed to effectuate its purposes.

SEC. 13. Effective Date.

This Act shall take effect upon the certification of the results of the election at which it was adopted.

SEC. 14. No Additional Real Property Transfer Taxes.

The City Council shall be precluded from ordering a placed on the ballot to increase the rate of real property transfer tax imposed by Part 3, for so long as this Act is in effect. Nothing contained herein shall be construed to prohibit a citizen-sponsored ballot measure from qualifying to be placed before the voters, except that it is hereby declared that the tax rates specified herein for the Real Property Transfer Tax shall not be increased by any citizen-sponsored ballot measure except by a majority vote of at least two-thirds of the votes cast for such increase.