

CITY OF SANTA CRUZ

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE B

“THE CITY OF SANTA CRUZ WORKFORCE HOUSING AND CLIMATE PROTECTION ACT OF 2025”

The Santa Cruz County Association of Realtors has qualified Measure B for the ballot which, if approved by the voters *with more votes than competing Measure C*, would defeat Measure C and add the “The City of Santa Cruz Workforce Housing and Climate Protection Act of 2025” to the Santa Cruz Municipal Code authorizing two new special taxes, a parcel tax and a real property transfer tax, to expire after ten years. Revenue from both taxes would be restricted to the purposes specified by the measure, including the following:

- 87% for affordable housing programs and projects *and* to fund repairs to the Santa Cruz Wharf, West Cliff Drive and other roads and City facilities impacted (or anticipated to be impacted) by climate change (Note: It is unclear how these two categories of expenditure are “germane to a single purpose” as required by the “single-subject” rule for ballot measures under California law);
- 10% for programs and facilities to address and prevent homelessness; and
- a maximum of 3% for community oversight, accountability and administrative expenses.

The \$50 parcel tax would be imposed annually upon all parcels of real property in the City, with exemptions for senior households (55+), qualifying low-income households, affordable housing projects, schools, religious institutions and other entities that are exempt from property taxes.

The real property transfer tax would be levied at the rate of (0.5%) for each \$1,000 paid in excess of \$4,000,000 (e.g., tax on a \$4.2 million sale would be \$1,000 ($\$4,200,000 - \$4,000,000 = \$200,000 \times 0.5\%$)). This threshold would be increased annually by the change in CPI for the prior year, or 3%, whichever is less. For example, if the CPI for Fiscal Year 2026-2027 is 3%, then commencing July 1, 2027, the exemption threshold would increase to \$4,120,000.

A variety of real property transactions would be exempt from the 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; marital property; restricted affordable units; certain partnership property; transfers made as part of bankruptcy proceedings; and deeds in lieu of foreclosure.

Both taxes imposed by the Measure B would expire after the 2035-2036 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 a 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