

CITY OF SANTA CRUZ

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE C

“THE CITY OF SANTA CRUZ WORKFORCE HOUSING AFFORDABILITY ACT OF 2025”

Nonprofit “Housing Santa Cruz County” and local affordable housing advocates have qualified Measure C for the ballot which, if approved by voters *with more votes than competing Measure B*, would defeat Measure B and add “The City of Santa Cruz Workforce Housing Affordability 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 twenty years. Revenue from both taxes would be restricted to the purposes specified in the measure, including 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.

The \$96 parcel tax would be imposed annually upon all non-exempt real property in the City, with exemptions for qualifying low-income households, low-income senior households, affordable housing projects, schools, religious institutions and other entities that are exempt from property taxes.

The real property transfer tax would only be levied on the value of property transferred or sold in excess of \$1.8 million, as follows: 0.5% tax (\$5/\$1,000) on the price paid in excess of \$1.8 million but less than \$2.5 million; 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 (e.g., tax on \$2 million sale would be \$1,000 (\$2,000,000 - \$1,800,000 = \$200,000 x 0.5%)).

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 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 Measure C would expire after the 2046-2047 fiscal year, and the City Council would be prohibited from placing a measure on the ballot to increase the 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