



PROS & CONS

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General Election · November 3, 2020

The November 2020 General Election will include races for the Piedmont City Council and the Board of Education for the Piedmont Unified School District. Also on the ballot will be City of Piedmont Measures TT and UU, which are explained in this Pros & Cons document. Visit VotersEdge.org to see everything on your ballot, your polling place, and unbiased information on all of your voting choices.

How to Evaluate Ballot Measures

- Examine what the measure seeks to accomplish. Do you agree with those goals?
- Is the measure consistent with your ideas about government? Do you think the ballot measure proposed changes will make things better, worse, or have no effect?
- Who are the real sponsors and opponents of the measure?
- Is the measure written well? Will it create conflicts in law that may require court resolution or interpretation? Is it “good government,” or will it cause more problems than it will resolve?
- Does the measure create its own revenue source? Does it earmark, restrict, or obligate government revenues? If so, weigh the benefit of securing funding for this measure against the cost of reducing overall flexibility in the budget.
- Does the measure mandate a government program or service without addressing how it will be funded?
- Does the measure deal with one issue that can be easily decided by a YES or NO vote? Or, is it a complex issue that should be thoroughly examined in the legislative arena?

Amends the Existing Real Property Transfer Tax

THE QUESTION

Should the Piedmont City Code be amended to increase the existing real property transfer tax to \$17.50 per \$1,000 of transfer price?

THE SITUATION

Real Property Transfer Tax (RPTT) is a one-time tax levied on a property at the time of sale. In the City of Piedmont, the tax is currently at the rate of \$13.00 per \$1,000 of the value of the property transferred. This rate was set in 1993. RPTT applies when there is a financial transaction with a money exchange taking place. The Piedmont Municipal Code currently includes exemptions from the real property conveyance tax for transfers that relate to public agencies, bankruptcy proceedings, foreclosures, terminations of partnerships, and debt securitization.

Piedmont's current RPTT rate of \$13.00 per \$1,000 on full value is lower than both Berkeley and Oakland, but higher than most other cities in California. The majority of California cities have no RPTT. Based upon local real estate practice and customs in Piedmont, city transfer taxes are typically split between the buyer and seller, but individual buyers and sellers are free to negotiate any arrangement they wish.

The Budget Advisory and Financial Planning Committee has recommended that minimum additional funding of approximately \$850,000 per year for the next five to ten years is needed to maintain the existing condition of city buildings, parks, streets and sidewalks. Measure TT is estimated to generate approximately \$948,462, providing additional funding above the amount estimated for maintenance of Piedmont facilities, if the City Council voted to allocate these funds for that purpose.

THE PROPOSAL

The real property conveyance tax is levied when real property is either sold or transferred to a new owner in exchange for anything of value, and is collected for raising revenue for the usual and current expenses of the city where the real property is located. If adopted, Measure TT would increase the existing real property transfer tax to \$17.50 per \$1,000 of transfer price. Measure TT would modify the existing exemption for public agencies to specifically exclude property transfers made from a public agency to a nonprofit corporation where the acquisition, construction or improvement of such property is made with tax-exempt bond financing.

At the median home sales price of \$2,200,000, an RPTT rate increase to \$17.50/\$1000 would add \$9,900 in taxes, which would typically be split between the buyer and seller of the property but can be negotiated. Measure TT does not include a sunset provision and the increased tax rate would remain in force indefinitely.

Fiscal Effects:

It is estimated that revenues from this tax will generate approximately \$948,462 of additional revenue annually. Funds generated by the proposed tax increase are not restricted and may be used for any City general revenue purpose.

A **“YES”** vote on Measure TT would be in favor of increasing the real property conveyance tax to the new rate of \$17.50 per \$1,000.

A **“NO”** vote on Measure TT would be against the increase in the real property conveyance tax and would maintain the current rate of \$13.00 per \$1,000.

Supporters Say:

- The transfer tax is assessed only on property when it is sold, so it will affect relatively few residents each year.
- The proposed increase in the Transfer Tax rate will provide necessary funds for maintaining and improving city facilities, streets, sidewalks, and parks.
- The current transfer tax rate is significantly lower than Berkeley or Oakland and the increased rate would be lower than Berkeley and Oakland for some property sale values.

Support – Signers of official arguments/ rebuttals

Robert S. McBain – Mayor

Teddy Gray King - Vice Mayor

Bill Hosler - Chair, Budget Advisory and
Financial Planning Committee

John Y. Chiang - Former Mayor

Chris Kwei - Member, Budget Advisory
and Financial Planning Committee

Opponents Say:

- The proposed increase of the City's Transfer Tax rate would make it the highest flat rate in the entire State of California and could cost homeowners tens of thousands of dollars when buying or selling their home.
- There are no safeguards to ensure that the money from this tax will be directed to repair and maintain city facilities and that means the tax can be used for anything including salaries, pensions or project overruns.
- Piedmont already has an extremely high transfer tax rate. Increasing it will set a bad precedent in the region and could adversely affect homeowners that wish to sell their home in order to move into a retirement community.

Opposition – Signers of official arguments/ rebuttals

Eric Wong - President, Bridge Association
of REALTORS®

Authorizes the City to Issue Bonds to Reconstruct the Piedmont Community Pool

THE QUESTION

Should the City of Piedmont be authorized to issue up to \$19.5 million in general obligation bonds to finance the costs of improvements for the Piedmont Community Pool and adjacent areas?

THE SITUATION

The existing Piedmont Community Pool opened in 1964 and is now in its 56th year. The usual lifespan of most outdoor pools is 50 years. Prior to closure due to COVID-19 shelter-in-place orders, the City was spending approximately \$1,000 a day to keep the pool safe and operational. The City believes that residents rely upon the Piedmont Community Pool as a resource to learn to swim, exercise, compete, play, and socialize. It has also been a steady source of employment for local youth. Based on a July, 2020 Concept Study, the estimated cost for replacement of the Piedmont Community Pool including bath house, pools and surrounding site work is \$18.8 million.

THE PROPOSAL

If adopted, Measure UU would authorize the City of Piedmont to issue up to \$19.5 million in general obligation bonds to finance the costs of replacing the Piedmont Community Pool and adjacent areas. General obligation bonds are a form of municipal indebtedness used to finance public improvements and are authorized by the California Constitution and California Government Code. The proceeds of the bonds may only be used for the design and construction of improvements for the Piedmont Community Pool and adjacent areas. Plans for replacing the pool and surrounding facilities have not been finalized. It is proposed that the three existing pools be replaced with two pools to meet resident needs: a warmer recreation pool with areas for safe water play, swim lessons, therapeutic swim, and

THE PROPOSAL (cont.)

physical rehabilitation; and a wider and deeper pool for recreation, physical education, water aerobics, water polo, swim team, and lap swimming. The new pool facilities, restrooms, and related areas would conserve energy and water, comply with state and federal disability and safety standards, and provide restroom access for those using the tennis courts.

The bonds will be secured by ad valorem taxes levied on taxable real property in the city. The interest rate for the bonds will depend on the bond market at the time the bonds are sold, but cannot be higher than 12%. The city estimates that the property taxes levied to repay the bonds would average 2.6 cents per \$100 of assessed property value. Measure UU requires accountability including a separate account for the funds and annual reporting by the city's Finance Director to the City Council. The City Council must also establish and appoint an oversight committee to review and report on how the proceeds of the bonds are being spent.

Fiscal Effects:

If all of the bonds were issued and sold, the best estimate of the total debt service, including the principal and interest is \$37,446,788.

A **"YES"** vote on Measure UU would be in favor of authorizing the City of Piedmont to issue general obligation bonds in an amount not to exceed \$19,500,000 for the purpose of constructing improvements to the Piedmont Community Pool .

A **"NO"** vote on Measure UU would be against authorizing the City of Piedmont to issue general obligation bonds in an amount not to exceed \$19,500,000 for the purpose of constructing improvements to the Piedmont Community Pool.

Supporters Say:

- The pool needs to be replaced or it will be permanently closed. Measure UU provides necessary funds to construct a safe, sustainable, and affordable facility to serve Piedmont families, students, and seniors for the next 50 years.
- Passing this bond measure this year means taking advantage of historically low interest rates and avoiding continued escalation of construction costs in the future.
- Without the pool, Piedmont would be the only school district in Alameda County without a local pool for swim lessons, physical education, and water sports.

Support – Signers of official arguments/rebuttals

Robert S. McBain – Mayor

Betsy Smegal Andersen, Councilmember,
City of Piedmont

Steven D. Roland, Chair, Piedmont Recreation Commission

Sarah Pearson, Past President, Piedmont Board of Education

Nancy McHugh, Retired Principal, Beach Elementary School

Opponents Say:

- Piedmont should not be taking on \$20 million of general obligation debt in the midst of fiscal uncertainty resulting from the COVID-19 pandemic.
- Piedmont has other liabilities including pension liabilities and sewer loans and shouldn't be adding general obligation debt to its liabilities.
- Because of the pandemic, the pool will remain closed for the foreseeable future, so we should wait to see if things return to normal before passing this bond measure.

Opposition – Signers of official arguments/rebuttals

Andy Wasserman, Retired CFO

Larry Miller, Certified Financial Planner