

# City Council Report

Item: 16.  
Category: Old Business  
Date: November 21, 2017

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**TITLE**      **CIVIC CENTER MASTER PLAN – REVIEW OF OPTIONS FOR A POSSIBLE PARCEL TAX**

## **RECOMMENDATION**

Provide staff with two or three parcel tax formula options to conduct further refinement on the scope / financing of a Civic Center Master Plan (CCMP) construction project.

## **BACKGROUND**

At the October 17 Civic Center Master Plan (CCMP) study session, the City Council reviewed various financing mechanisms and potential project scope scenarios related to the renovation and/or construction of facilities. At the conclusion of that study session, the Council directed staff to conduct further fiscal analysis on a parcel tax measure, and return with a presentation of various funding level options for a possible parcel tax measure in November 2018. It was staff's understanding that the City Council would like to fully understand the various parcel tax rate options and how much could be raised to fund a renovation / construction of facilities, the City Council could then discuss the project scope. NHA Advisors has completed an analysis of various options for a parcel tax measure and will present its analysis at the November 21 City Council meeting. This staff report summarizes NHA's fiscal analysis related to various methods to implement a parcel tax.

## **DISCUSSION**

A parcel tax can be a flat rate or be based on the characteristics of a parcel such as square footage, type of land use, etc. NHA Advisors was tasked with analyzing various parcel tax alternatives to raise revenue at project budget amounts of \$40 million, \$30 million, and \$20 million for a facilities renovation / construction project. To begin its analysis, the number of residential properties was analyzed in detail utilizing data from the Santa Clara County Tax Assessor's Office. There are a total of 12,715 parcels (residential, non-residential and public/no land-use) in Campbell. The parcels and a

summary of both the total gross and improved square footage in each type of land use category is shown below:

Land Use	Parcel Count	Gross Sq. Ft.	Imp. Sq. Ft.
Residential	11,494	82,369,346	23,090,671
Non-Residential	1,013	26,633,891	9,686,653
Public/Ag/No Land-Use	<u>208</u>	<u>5,495,094</u>	<u>140,375</u>
	12,715	114,498,331	32,917,699

NHA also provided a residential property summary, which shows that there are 11,494 parcels in the City and 93% of those parcels are either single-family residential or condominiums / town homes which have their own Assessor’s Parcel Number (APN). The remaining 7% are in the “Duplex / Triplex / Multifamily (Apartment)” category. Although there are only 760 such parcels- those multifamily parcels include over 7,000 units. As directed by the City Council at the last study session, NHA’s analysis included options where different rates were charged based on the use of that parcel. Understanding the number of parcels, and units in those parcels, can allow the City Council to consider the structure of the tax rate in rough proportion to their benefits from public services.

Land Use	Parcels	Units
Single-Family Residential	7,977	7,977
Condominium/Townhouse	2,757	2,757
Duplex/Triplex/Multifamily (Apartment)	<u>760</u>	<u>7,170</u>
Total Parcels/Residential Units	11,494	17,904

**PARCEL TAX FORMULAS**

1. Flat Rate

This option provides for a uniform method of assessment – charging an equal amount to all parcels, regardless of land-use type and parcel size. There are 12,507 parcels in the City (11,494 residential / 1,221 non-residential). The table below shows the necessary flat parcel rate to be assessed on all parcels to raise revenue for a project at various levels.

	\$40M	\$30M	\$20M
Flat Parcel Tax	\$238	\$178	\$119

2. Gross Land Square Footage Assessment

This option applies a common rate, based on square footage per parcel – across all parcel types, regardless of zoning category. In this option, larger properties would pay a proportionally higher parcel tax. The property analysis states that there is a total of 109,003,237 square feet across all parcels in the City (82,369,346 residential gross square feet / 26,633,891 gross square feet non-residential). Since the City of Campbell will not likely be annexing any significant areas, the total parcel tax collection would likely remain constant. As an example, the table below shows the square footage assessment to be levied on all parcels at various levels:

	Amount Raised		
	\$40M	\$30M	\$20M
Gross Square Feet	\$.027 sq. ft.	\$.020 sq. ft.	\$.014 sq. ft.
Typical 5,000 sq. ft. lot	\$136	\$100	\$70

3. Improved Square Footage Assessment

This option applies a common rate to all parcels, regardless of zoning type, based on improved square footage (floor area). This option does allow for an increase in revenue generated by this parcel tax as expansion or redevelopment (with floor area increases) occurs on existing parcels. The property analysis shows that there is a total of 32,777,324 of total improved square footage in the City (23,090,671 sq. ft. residential / 9,686,653 sq. ft. non-residential). The table below shows the result of the fiscal analysis setting this type of parcel tax rate at \$0.091, \$0.068, or \$0.046 per improved square foot to achieve desired project revenue levels.

	Amount Raised		
	\$40M	\$30M	\$20M
Improved Square Feet	\$.091 sq. ft.	\$.068 sq. ft.	\$.046 sq. ft.
Typical 2,000 sq. ft. building	\$181	\$136	\$91
Typical 10,000 sq. ft. building	\$910	\$680	\$460

4. Hybrid- Residential Units Flat Rate and Square Footage Basis for Non-Residential

This option includes units of residential parcels which are made up of single-family, condominiums / town homes and apartment units. Apartment units are factored into the unit count, so multi-family units would be taxed at this rate times the number of units. This type of split-rate option allows for the structuring of the tax rate so that the tax burden does not heavily rely on single-family residential parcels. The “per unit” distinction can also capture the contribution of multi-family units located on one parcel to

their proportion of benefits from public services. When hybrid rates are applied to parcels with different land-uses, it is common to use a flat rate amount for residential, and a per improved square foot rate for non-residential parcels. The table below provides two scenarios for this option. The first which is a lower residential rate, and another with a lower non-residential improved square footage tax rate.

	Amount Raised		
	\$40M	\$30M	\$20M
Lower Fixed Residential Rate / Higher Improved Square Footage			
Residential Flat	\$99	\$79	\$59
Non-Residential (Imp. Sq. Ft.)	\$.124 sq. ft.	\$.084 sq. ft.	\$.045 sq. ft.
Typical 10,000 sq. ft. building	\$1240	\$840	\$450
Higher Fixed Residential Rate / Lower Improved Square Footage			
Residential Flat	\$149	\$119	\$79
Non-Residential (Imp. Sq. Ft.)	\$.032 sq. ft.	\$.011 sq. ft.	\$.008 sq. ft.
Typical 10,000 sq. ft. building	\$320	\$110	\$80

### FISCAL IMPACT

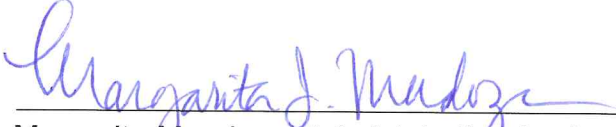
Depending upon which scenario and level of funding is ultimately selected, the City will use the assessment to secure issuance of long-term debt that will yield the necessary amount of proceeds in which to begin the construction and / or renovation of facilities. It is anticipated that such debt would be issued during 2019 and last for 30 years, assuming a ballot measure is approved by the voters. The aggregate collection of taxes would fund the repayment of the initial proceeds raised as well as interest on the outstanding principal at rates estimated to be between 3-5%.

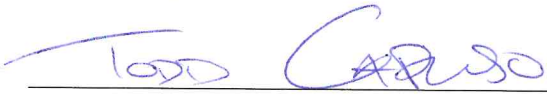
### NEXT STEPS


Based on NHA's assessment of the four parcel tax alternatives, using either a uniform rate across all properties (improved square footage) or a hybrid system appears to be an equitable implementation of the tax structure that does not place a higher than proportional share on any particular land use type. The use of a uniform rate applied to improved square footage can be viewed as being the most equitable method as it places a higher amount on properties with the most improvements. The use of a hybrid approach allows all residential units to be assessed the same amount. This could also be viewed as being equitable across land use type; however, it does apply a different

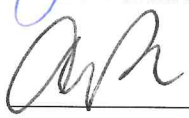
rate to all other property types. The benefit of this approach is that the application to residential properties is uniform.


The November 21, 2017 City Council meeting agenda includes two separate action items related to the 2018 General Election. One item recommends polling of various levels of a parcel tax and the other to engage the consulting service of a firm to assist the City with public information strategies. Staff anticipates that any polling would take place in January 2018.

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