

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván

SUBJECT: SEE BELOW

DATE: June 25, 2024

Approved



Date

6/27/24

INFORMATION

SUBJECT: SUNSETTING THE MEASURE E REAL PROPERTY TRANSFER TAX REFUND FOR QUALIFYING NONPROFIT REAL PROPERTY TRANSFERS PILOT PROGRAM

The purpose of this memorandum is to announce the sunseting of the Measure E Real Property Transfer Tax Refund for Qualifying Nonprofit Real Property Transfers pilot program.

BACKGROUND

On March 3, 2020, San José voters approved Measure E, creating a new real property transfer tax. The Measure E transfer tax applies to property transfers of \$2 million or more (adjusted for inflation). The Measure E transfer tax took effect on July 1, 2020.

The Measure E transfer tax rate is outlined in **Table 1** below:

Table 1 – Measure E Tax Rate

Transfer Price Range	Tax Rate
\$2 million to \$5 million	0.75%
\$5,000,000.01 to \$10 million	1.0%
Over \$10 million	1.5%

On December 7, 2021, City Council passed the Measure E Real Property Transfer Tax Refund for Qualifying Nonprofit Real Property Transfers pilot program (Refund Program). The program framework for refunding the Measure E Real Property Transfer Tax Refund for Qualifying Nonprofit Real Property Transfers tax to qualifying charitable organizations or

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affordable housing developers involves real estate transactions executed for housing, education, health, and human services targeting extremely low-income residents.

At the June 20, 2023, City Council meeting, staff recommended extending the Refund Program for one year¹. City Council voted to approve the staff recommendation and directed staff to report back to the Community and Economic Development Committee for further discussion, analysis, and a decision on whether to sunset the pilot program in June 2024.

The Refund Program was scheduled for the June 24, 2024, Community and Economic Development Committee meeting; however, after Housing staff conducted outreach to consider sunsetting or further extending the Refund Program, there was very limited response from the stakeholder community supporting the program's continuation. Therefore, the status report to the Community and Economic Development Committee was dropped from the June 24, 2024 Community and Economic Development Committee meeting agenda. Although Housing staff originally recommended an additional extension of the Refund Program to City Council (as noted in the May 6, 2024 Rules and Open Government Committee memorandum from the City Manager's Office²), upon a data-driven analysis based on the Refund Program's overall low utilization rate and low interest from community partners balanced against high needs for the \$1.5 million Measure E funds allocated to the Refund Program, the Housing Department decided to sunset the Refund Program as scheduled by June 30, 2024, and reallocate the \$1.5 million Measure E funds back to housing production.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

/s/
ERIK L. SOLIVÁN
Housing Director

For more information, contact Darius Brown, Senior Development Officer for the Residential Development Division, at Darius.brown@sanjoseca.gov or (669) 250-8851.

¹ [File: 23-931, Item: 8.3, June 20, 2023: Proposed One-Year Extension of the Measure E Real Property Transfer Tax Refund Pilot Program for Qualifying Nonprofit Real Property Transfers \(Legistar.com\)](#)

² [Item: B.1, May 6, 2024: Updates to the January – June 2024 Community and Economic Development Committee Work Plan \(Legistar.com\)](#)