

Data and Initial Analysis for March 2011 Replacement Parcel Tax

October 14, 2010

Background

This presentation is the second of two public hearings regarding the possible structure for a replacement school parcel tax.

AUSD is experiencing a structural deficit due to a combination of factors:

- Drastic reductions in state funding;
- Use of one-time monies to delay devastating cuts to programs (categorical funding flexibility from the State Department of Education will end for the 2012-13 school year); and
- Parcel taxes Measure A and H expire in 2012-2013.

Background

AUSD must cut an estimated \$4 to 5 million in 2011-2012 and another \$7 to 8 million in 2012-2013 due to the expiration of Measures H and A.

State of California passed a budget late last week.

- Staff is working to provide an updated analysis for the Board and the community.
- We don't yet know the full impact of the state budget, but we do know that the State's fiscal condition remains in crisis and that we can expect reductions before we see significant increases in K-12 funding.

Background

School closures and consolidations are necessary without additional funding.

- On June 30, 2009, after the failure of Measure E, the Board of Education directed staff to begin the analysis for closures and consolidations of schools in an effort to close the District's looming budget deficit.
- Supported by parents and concerned community members, the Board further directed staff to propose a replacement parcel tax for placement on the ballot in March 2011.

Questions and Concerns from the first Parcel Tax Public Hearing on September 21st

- Several speakers supported a new parcel tax.
- The Chamber of Commerce conveyed its overwhelming support of the schools and a new parcel tax which assesses residential and commercial properties fairly and equally.
- Questions about whether for-profit tenants of City and Navy owned property must pay parcel taxes
- Questions from Board members and speakers regarding parcel data

Parcel Data

Total Residential Taxable Building SQFT = 34,550,376

Assumptions:

- Residential defined as single family homes, condominiums and multi-family homes
- Data does not include properties which have applied for and received a senior exemption under Measures A and H

Parcel Data

Total Nonresidential Taxable Building SQFT = 10,230,280

Assumptions:

- Data does not include properties which are exempt from taxation by the California Constitution (i.e. churches)
- Data does not include properties owned by the City but leased to private entities
- Data reflects updated and more accurate property characteristics from the County

Parcel Data

Total Residential Taxable Lot SQFT = 76,448,052

Assumptions:

- Residential defined as single family homes, condominiums and multi-family homes.
- Data does not include properties which have applied for and received a senior exemption under Measures A and H
- Data reflects updated and more accurate property characteristics from the County

Parcel Data

Total Nonresidential Taxable Lot SQFT = 35,506,933

Assumptions:

- Data does not include properties which are exempt from taxation by the California Constitution (i.e. property owned by the City or County)
- Data reflects updated and more accurate property characteristics from the County

Parcel Data

Making Sense of the Parcel Data

- Data obtained from County records
- County records are, in some cases, inaccurate or incomplete
- SCI looks for anomalies in the data in order to fairly and properly administer a school's parcel tax.
- Property owners may also correct errors pertaining to their parcels.
- Building SQFT methods require more analysis in the beginning of the tax, but can be and are successfully administered for many school districts including Berkeley and West Contra Costa County.

Parcel Data

Making Sense of the Parcel Data *(cont.)*

Why is the parcel data that was reported last year in the District's Parcel Tax Advisory Group meetings different than the data presented tonight?

- Tonight's information uses the County's recently updated data for fiscal year 2010, whereas prior estimates used fiscal year 2008 data.
- The 2010 data reflects the County's correction of significant errors in the 2008 data.
- SCI has completed additional analysis and research on individual properties to more accurately account for the square footage.

Initial Analysis and Comparison of Lot SQFT and Building SQFT Parcel Tax Options

Building SQFT method is perceived by many as more equitable.

- Community members have noted that building square foot more closely approximates value.
- Building SQFT is arguably a more equitable method of allocating tax burden within land use classifications. For example, a 4,000 square foot home, in comparison to a 1,000 square foot home (on average), will likely have more bedrooms, more K-12 children, higher assessed values and the property owners will (on average) enjoy higher incomes.
- Lot SQFT does not correlate as closely to ability to pay as many older homes have larger lots with smaller houses.

Initial Analysis and Comparison of Lot SQFT and Building SQFT Parcel Tax Options

Lot SQFT method creates “outliers” with arguably unfair tax burdens.

- Lot SQFT method (currently in use in Measure H) has been criticized as inequitably taxing marinas, unimproved parcels, parking lots and large businesses in business parks.
- Building SQFT would only tax lots with improved buildings.

Both Lot SQFT and Building SQFT would apply the same rate of taxation to residential and commercial properties – a value expressed by the Chamber of Commerce on behalf of its members and by many other business owners in Alameda.

Initial Analysis and Comparison of Lot SQFT and Building SQFT Parcel Tax Options

Allocation of tax burden on business is *higher* for Lot SQFT than for Building SQFT.

For example, to generate 14 M, as shown during the last public hearing, the allocation (without a cap) would be as follows:

Lot SQFT

➤ 12.3 cents per lot SQFT

70% Residential
30% Nonresidential

Building SQFT

➤ 31.7 cents per bldg SQFT

78% Residential
22% Nonresidential

Next Steps

Staff will continue to receive feedback from the community and the Board of Education as to the structure of a replacement parcel tax.

Key Dates:

- **October 26 Board Meeting:** Board will prioritize programs and give direction as to which programs should be funded by a replacement parcel tax.
- **November 9 Board Meeting:** Staff recommendation on the structure of a replacement parcel tax.
- **November 23 Board Meeting:** First hearing on Resolution to authorize an election for a replacement parcel tax.
- **November 30 Proposed Special Meeting:** Vote on Resolution to authorize the election.