REPORT OF THE
CHIEF LEGISLATIVE ANALYST

DATE: June 8, 2020

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations, and Neighborhoods Committee

FROM: Sharon M. Tso
Chief Legislative Analyst

Council File No.: 19-0623
Assignment No: 19-12-1124

SUBJECT: Vacancy Tax and Empty Homes Penalty

SUMMARY

On September 18, 2019, the City Council adopted a Motion (Bonin, Harris-Dawson, Ryu, Koretz – O'Farrell) to:

- Instruct the Housing and Community Investment Department (HCID), with the assistance of the Department of City Planning (DCP), the Department of Building and Safety (DBS), and the Department of Water and Power (DWP), to report on the amount of vacant, habitable housing units in City and the reasons why they remain vacant; and

- Instruct the Chief Legislative Analyst (CLA), with the assistance of the City Administrative Officer (CAO), and in consultation with the City Attorney, and any other relevant City department, to examine Empty Homes penalties, vacancy taxes, and speculator taxes in other jurisdictions, and report with policy options for a potential Empty Homes Penalty structure in Los Angeles, for consideration by voters in 2020, and with incentives and other policy options to place units into productive use and in an emergency.

Subsequent to the approval of this Motion, our Office was notified by the City Administrative Officer (CAO) that the City's Commission on Revenue Generation (Commission) had engaged Blue Sky Consulting (Blue Sky) to study a vacancy tax. As this effort was underway and recently completed, our Office used this information as a basis for this report. This report provides a summary of Blue Sky's vacancy tax feasibility analysis and comparison of recent vacancy taxes in other jurisdictions, policy options for a potential tax structure in the City, a schedule that must be adhered to should this proposal move forward as a ballot initiative in 2020, challenges and considerations, and recent legislation that could achieve similar objectives.

HCID will provide a report on the amount of vacant, habitable housing units under separate cover.

Recommendations are provided should Council wish to move forward with placing a vacancy tax on the November 2020 ballot or continue to study the matter further as a potential ballot measure for 2022.

CLA RECOMMENDATIONS

If the Council wishes to place a vacancy tax measure on the November 2020 ballot, the Council should adopt the following instructions:

1. Approve the framework for a vacancy tax utilizing the policy points provided in Attachment B or as stipulated by the Council; and

   a. Request the City Attorney to prepare an ordinance and other documents necessary to place on the November 3, 2020 ballot a Parcel Tax to generate new revenue to fund specific services and affordable housing that addresses the homelessness crisis and housing needs in the City utilizing the Council-approved framework; and

   b. Instruct the City Administrative Officer, in consultation with the Office of Finance, to report with projected revenue, administrative costs, and resources needed to implement a vacancy tax, including any COVID-19 impacts, to be considered concurrently with the draft Ordinance.

If the Council wishes to continue to study the matter for the 2022 ballot, the Council should adopt the following instructions:

2. Approve the framework for a vacancy tax by determining the policy points provided in Attachment B or as stipulated by the Council; and

   a. Instruct the City Administrative Officer, in consultation with the Office of Finance, to report with projected revenue, administrative costs, and resources needed to implement a vacancy tax, including any COVID-19 impacts, within 180 days; and

   b. Instruct the Housing and Community Investment Department (HCID), with assistance from the City Attorney, to monitor the implementation of vacancy taxes in other cities, including any legal challenges that may pose a risk to the City in implementing a similar tax; and

   c. Instruct the CLA to evaluate the additional challenges and considerations identified in this report and report with potential amendments to the vacancy tax framework.

BACKGROUND

Several cities have established or are considering imposing a tax for property owners that maintain land as vacant or underutilized. Cities that have levied this tax claim that the impetus is to motivate owners to return units to the market and maximize the use of a property. Other perspectives assert that a tax alone may not resolve the social and economic conditions contributing to the vacancies. In a report published by the San Francisco Controller, the City's Chief Economist asserts that "the threat of a tax that cannot be avoided will likely depress the value of all properties in neighborhood commercial areas and inhibit investment in them" (Blue Sky, 2019).

At the time Council approved Motion (Bonin - et al), a separate City effort was underway by the Commission to study new funding measures, including a potential vacancy tax. The City and the Coalition of City Unions developed the Commission via a Letter of Agreement. The 10-person

Commission, staffed by the CAO, is tasked with researching and recommending new sources of funds to maximize revenue to the City's General Fund and Special Funds.

The Commission retained Blue Sky to evaluate and report on the feasibility of a tax on vacant residential and commercial property in Los Angeles. One component of the Blue Sky study was to evaluate similar taxes in other jurisdictions. Attachment A to this report is a comparison summary of taxes in Vancouver, Washington, and Oakland prepared by Blue Sky. The comparison includes the framework and assumptions for each program, the policy outcomes achieved to date, challenges in implementing the tax, and the legal consequences resulting from the tax's implementation.

The following provides a summary of the Blue Sky report's findings (dated December 20, 2019); the Commission's assessment of a Vacancy Tax (May 2020); and a list of considerations for policy decisions that would shape a potential tax for the City.

BLUE SKY REPORT

In December 2019, Blue Sky completed a report for the Commission on the feasibility of a vacancy tax for the City of Los Angeles (Report). In its Report, Blue Sky indicates that only a few cities have implemented a tax, including Oakland. It identifies Oakland as a viable model for the City of Los Angeles, as both California cities would be subject to similar requirements and limitations related to State law, including those imposed by Proposition 13. With regard to a possible vacancy tax in Los Angeles, Blue Sky analyzed a framework similar to Oakland's with a few modifications. Below is a summary of the Report's assumptions and findings:

Affected Property Types: The Report assumes a tax on unoccupied residential and commercial units, as well as vacant parcels.

Rate: $5,000 per unit or parcel per year (and proportionately higher for larger parcels).

Revenue: estimates $128 million annually, expected to decline to $100 million over time as properties are utilized (developed, rented, etc.).

City's costs to administer: $5.6 million annually; and one-time implementation costs estimated at $2.9 million.

Estimated number of sites/units subject to a vacancy tax in LA

- After backing out certain exemptions and other criteria:
    - Vacant parcels 2,909
    - Unoccupied commercial units 2,483
    - Unoccupied residential units 19,558

Exemptions assumed in this analysis include, but are not limited to, exemptions for low income home owners, parcels with active development or construction, and undevelopable properties. For unoccupied properties, certain criteria that would exempt a unit from the tax includes, but is not limited to, those that are actively for sale or rent. Vacant and unoccupied units are further described in Attachment B.

COMMISSION ON REVENUE GENERATION'S ASSESSMENT

In May 2020, the Commission released its recommendations for revenue-generating measures that would bring new monies to the City's General Fund for City services (Commission Report). The Commission considered over fifty concepts and narrowed its focus to six (6) recommended proposals (Recommendations) and suggested four (4) additional proposals be further considered (Considerations), as follows:

Recommendations are defined as "specific policies with the greatest potential of maximizing revenue and can be implemented within a reasonable timeframe." Considerations are "policies that have definite potential for increasing revenue, but require additional research and entail extensive effort for implementation."

Recommendations

1. Pension cost reduction strategies for Los Angeles City Employees' Retirement System (LACERS) and Los Angeles Fire & Police Pension (LAFPP)

2. Implement across the board increase in the gross receipts tax (windfall tax).

3. Improved coordination with the County relative to the collection of unsecured business personal property taxes and data sharing.

4. Implement the recommendations in the Controller's report "In the Balance: Financial Report on the City's Special Funds.

5. Implement the recommendations in the Controller's report "Incentive Agreements: Tax Breaks and Subvention Deals."

6. Implement a citywide billboard (signage) policy.

Considerations

7. Vacant Property Tax.

8. Payment in Lieu of Taxes Program (PILOT).

9. Increase property taxes from privately owned golf courses.

10. Legislative changes regarding the composition of the County Assessment Appeals Boards.

In its report, the Commission categorizes a vacancy tax, as structured in the Blue Sky Report as a Consideration. It reiterates Blue Sky's findings and highlights the potential benefits of a vacancy tax, including revenue generation, but indicates that any benefits should be weighed against potential risks. It notes that "to the extent properties are vacant or unoccupied due to economic conditions such as during a recession or as a result of circumstances beyond the property owner's control, or a delay in obtaining a business license or building permit, taxing vacancies could impose additional hardships on property owners actively but unsuccessfully seeking tenants or buyers for their properties."

POLICY OPTIONS

Should Council wish to pursue a vacancy tax, certain policy decisions must be made and challenges must be assessed. The Council may choose to either implement a framework and assumptions aligned with the City of Oakland's Program, consider the slightly modified assumptions in Blue Sky's report, or establish different assumptions as outlined in Attachment B.

Below is a list of major policy decisions to be considered by Council.

- Determine if the tax should apply to residential only or both residential and commercial properties.
- Determine if the tax applies to vacant and/or underutilized sites/units/buildings.
- Define "vacant" and/or "underutilized."
    - Number of vacancy days allowed - indicates that six months is reasonable.
- City's process for identifying properties subject to the tax.
- Exemptions that would apply.
- Consider phasing-in so as not to "flood the market" and depress property values.
- Tax rates; consider not-to-exceed maximums with the ability to adjust any given year.
- Uses for the special tax.
- Sunset provision.
- Establish the administrating City department
- Designate the use of tax revenues

Once these policy points are established by Council, the City Attorney can be directed to draft an Ordinance and other documents necessary to place this measure on the ballot.

Similar to Oakland, a Los Angeles vacancy tax could be structured parcel tax. As a result, such a tax would be assessed annually on the property tax bill. As part of the annual property tax assessment process, the City would need to identify parcels to be taxed and submit the list of properties to the County. The County would then add the tax on those properties through its assessment bill. Upon collection of the tax, the County would remit revenue, less any administrative service charges, to the City.

This Office considered as an alternative to a property tax, a financial penalty or fine assessed on vacant units and parcels. After consultation with the Office of the City Attorney, however, it was determined that a fine structure would not be feasible. A penalty or fine could only apply to actions that are illegal, and the State does not currently recognize a vacancy as an illegal activity. As such, this report focuses on a parcel tax structure as the most feasible option to put before the voters.

Given the complexity of a vacancy tax and the several policy points that must be decided, including the definition of "vacancy," appropriate tax rates, exemptions, and owner characteristics, limited data to assess the efficacy of such a tax on the City, and outstanding legal challenges related to this matter, Council may wish to study the issue further for consideration in 2022.

BALLOT REQUIREMENTS

Pursuant to Proposition 218, any new tax assessment must be submitted to the electorate for approval. A general tax requires majority approval at a regularly scheduled municipal election. A special tax must be earmarked for a specified purpose approved by the voters. A special tax requires a two-thirds vote and can be placed on any ballot. One of the policy options, noted above, is to determine and designate the use of tax revenues collected.

In order to place a measure on the November 3, 2020 City General Municipal election ballot, Council must request that the City Attorney prepare the necessary election documents to meet specified deadlines. In consideration of the last Council meeting on July 1, 2020, before adjourning for Summer recess, the deadlines below must be met.

- Last date for Council to request that the City Attorney prepare Resolutions June 19, 2020
- Last date to adopt election Resolutions July 1, 2020
- Date of election November 3, 2020

Should Council continue its current meeting schedule, with meetings held on Tuesdays and Wednesdays during the COVID-19 emergency, then the June 19, 2020 deadline would effectively become June 17, 2020.

FINANCIAL ANALYIS

Should Council consider moving forward with a vacancy tax in 2020 or the future, the CAO and the Office of Finance should be directed to validate the Commission's anticipated revenue projections of $128 million and the resources needed to implement the tax. Due to the dramatic shift in the local, regional, and national economy as a result of COVID-19, our Office recommends that City staff assess any expected shift in projected revenues from the amount anticipated in the Commission's report and any policy points established by Council that would be different than those in Blue Sky's report; and review and evaluate administrative costs and resources needed to implement a vacancy tax. Council can direct staff to report with this analysis concurrent with the draft Ordinance in time for the November 2020 ballot or within 180 days in consideration of a ballot measure for 2022.

CHALLENGES AND CONSIDERATIONS

Given that a vacancy tax has only recently been implemented in other cities, there is minimal information on its efficacy and clarity on whether the tax or other economic factors will result in anticipated outcomes. Further, there are a number of challenges that have arisen in the areas where such a tax exists. Council can benefit from additional information on the pending legal challenges and obstacles that other jurisdictions are facing. Such challenges are reviewed below.

Program Outcomes and Legal Challenges

In its report, Blue Sky indicates that the Oakland model may be viable for the City of Los Angeles. Oakland is recommended over Vancouver and Washington, D.C. partly because as California cities, they are subject to similar statutory requirements. However, it is important to note that the Oakland model has only recently been implemented and further study of its actual collection of revenue and impact on filling vacancies are yet to be determined. The measure was passed in November 2018 and the City has just notified owners in February 2020 that their properties may be subject to a tax due to an extended vacancy in 2019.

While the tax in Vancouver, enacted in 2017, has been credited with reducing vacancies, there are multiple pending legal challenges that the City of Los Angeles may want to monitor. In addition to Vancouver's Empty Homes Tax (EHT), the province of British Columbia (BC) has instituted a Speculation and Vacancy Tax (SVT), which has also been the subject of a legal challenge.

In March 2020, San Francisco's voters passed a measure to tax vacant commercial units based on linear square footage, but due to the evolving economic conditions, this may be put on hold. The San Francisco Board of Supervisors is considering a delay in implementing the tax due to the impacts of COVID-19. The tax was to take effect on January 1, 2021, and now there is a proposal to suspend the implementation of a tax through December 31, 2021.

Effects on Open Space

Council may want to further study the implications of moving forward with certain aspects of a tax that promotes the development of open land and determine how to structure exemptions to protect open space. The preservation of open space and other environmental elements may require careful exemptions in the law and consideration should be given to unanticipated impacts on these land uses.

Other Considerations

A potential new tax could benefit from the input of community stakeholders, renters, property owners, and the business community. Council may also wish to consider alternative methods to encourage property owners to develop housing on vacant properties or rent vacant units. Resources could be made available to incentivize owners to develop private vacant land or maintain sites under an allowed use. Council could consider the possibility of a program that would offer low interest loans or rental assistance under certain conditions.

In addition, Council may want to study the long term consequences of an unpaid tax payment that could accumulate on certain properties. When considering the resources needed to implement the tax, any future resources that may be needed to recover payment, including legal expenses, should be planned for accordingly.

Research may be helpful to evaluate whether an additional tax on real property could drive owners to seek ways to circumvent the tax (e.g. transfer property ownership to exempt entities, file for building permits to prolong the exemption period, etc.). Council may consider limiting the tax to certain entities, such as corporate-related entities, and exempt Mom and Pop owners that own up to a specified number of properties.

An assessment of the long-term impacts and policy implications of a vacancy tax is limited at this time due to the recent implementation of similar measures. Further, there are numerous uncertainties that complicate the analysis of a tax under the current economic conditions and legal challenges. The City could benefit from collecting and analyzing this information prior to formulating a framework for a potential tax.

LEGISLATION

This Office reviewed proposed legislation that could facilitate bringing vacant units back to a productive use. Below is a summary of SB 1079, which aims to mitigate the negative impacts from a potential upsurge in foreclosures as a result of COVID-19, which could also lead to increased vacancies and unmaintained residential stock throughout the State. SB 1079 seeks to limit the accumulation of foreclosed properties by large investors and increase penalties for foreclosed properties that remain vacant and unmaintained.

SB 1079 (Residential Property Warehousing)

SB 1079 was introduced by Senator Skinner on February 19, 2020 and amended on May 13, 2020. This bill would:

- Prohibit a purchaser from buying more than three properties at an auction; and prohibit a seller from bundling properties for sale, instead requiring each property to be bid on separately.

- Increase the existing civil fine for not maintaining a vacant residential property purchased at a foreclosure sale from the current $1,000 fine per day to $10,000 per day for a violation (following the current 30 day period to remedy the violation).

- Require the mortgagee to offer the property being sold to recover debt or enforce a right secured by a mortgage, first to individuals who would be owner-occupants of the home, or to a public entity that is using public funds to purchase the property, for the first 20 days the property is listed.

The bill seeks to limit the accumulation of foreclosed residential properties by investors and instead seeks to ensure that owner-occupied purchasers, public entities and community housing organizations have the ability to purchase properties before investor entities. It also seeks to facilitate the upkeep and quick rental of foreclosed properties that investors may otherwise keep vacant by increasing the penalty to $10,000 per day of violation.

Senate Judiciary Committee

A Senate Judiciary Committee report analyzed SB 1079 for a May 22, 2020 hearing, raised issues to be studied further, and noted potential clarifying amendments that should be considered by the author. The report indicates that:

- The bill applies to sales out of the judicial foreclosure process only. However the majority of California foreclosures occur through the non-judicial foreclosure process. In its current form, the bill would apply to a very limited number of properties. The report notes that the bill's author proposes to offer amendments that would extend the bill's reach to the non-judicial foreclosure process.

- Opponents question whether the bill would result in an increase in homeownership rates. Properties purchased at auctions are typically "as is" and may need repairs, may require that liens are cleared, and the sales price is paid immediately. These conditions may not be ideal or feasible for individual home buyers.

- The California Department of Housing and Community Development (HCD) is required to distribute a list of foreclosed properties to interested parties. The author may want to amend the bill to include a provision requiring sellers to notify HCD of a sale.

In consideration of these and other potential changes, our Office will continue to monitor this and other related legislation.

Dora Huerta - rg

Dora Huerta
Analyst

Attachment A: Summary of Vacancy Taxes in Other Cities
Attachment B: Policy Options

ATTACHMENT A

SUMMARY OF VACANCY TAXES IN OTHER CITIES

(By Blue Sky Consulting Group)

	Vancouver, BC	Washington, DC	Oakland, CA
Name	Vancouver Empty Homes Tax	Vacant Property Tax	Vacant Property Tax
Dates	Passed 2016 (Enacted 2017)	Passed 2010 (effective FY 2011)	Passed 2018 (Planned FY 2020-21)
Types of Property	Residential[15]	Residential Commercial	Residential Ground Floor Commercial Vacant Lots

	Vancouver, BC	Washington, DC	Oakland, CA
Definition of Vacant or Underutilized Properties	**Unoccupied Property:** (a) not the principal residence of an occupier; or (b) not occupied for residential purposes by an arm's length tenant or subtenant for at least 30 consecutive days **Vacant property:** unoccupied for longer than 6 months	**Vacant Property:** properties unoccupied for more than 30 days must be registered. **Blighted Property:** a vacant building that is unsafe, unsanitary, or threatens the health, safety, or general welfare of the community.	**Vacant Property**: (a) Residential and commercial properties in use less than 50 days in a calendar year. (Note: multi-unit parcels are not vacant if any unit on it is not vacant) (b) All parcels, regardless of zoning or other land use designation, upon which no permanent improvements have been constructed or placed.
Assessment Type, Structure and Limits	Fine of $250 for failure to register and penalties up to $10,000 for making false declarations. Tax is 1% of the assessed value of property. Late and unpaid taxes result in an additional 5% payment fee.	Registration fee of $250 Failure to register may result in a $2,000 fine. Tax is based on assessed value: Vacant: $5 per $100 Blighted: $10 per $100 (Note: Base tax rates are $0.85 per $100 for residential and $1.65-$1.89 per $100 for commercial)	Tax charges a flat rate per parcel: (1) Residential, nonresidential, and undeveloped lots = $6,000 (2) Condominium, duplex, or townhouse units under separate ownership = $3,000 per unit (3) Ground floor commercial space = $3,000 per parcel
Methodology to Identify Properties	Self-reporting by homeowners. Additional monitoring by city and neighborhood residents.	Self-registration by property owners. City residents may also report suspected properties via phone or online. The District's Department of Consumer and Regulatory Affairs (DCRA) monitors and enforces the registration of vacant properties.	Self-reporting by homeowners. Additional monitoring by city

(See over →)

	Vancouver, BC	Washington, DC	Oakland, CA
Exemptions	1) Death of registered owner 2) Property undergoing redevelopment or major renovations 3) Property of owner in care (i.e. hospital, long-term care) 4) Rental restriction or prohibition 5) Transfer of property 6) Occupancy for full-time employment when principal residence is outside of Greater Vancouver area 7) Court Order prohibiting occupancy 8) Limited use residential property (i.e. only permitted for vehicle parking, residential building cannot be built due to size or shape of parcel, etc.)	1) Property undergoing active construction 2) Property for rent or sale* 3) Property awaiting development approval 4) Property is subject of probate proceedings or the title is the subject of litigation 5) Substantial undue economic hardship to owner * If property owner is making a good-faith effort to find a renter, residential buildings can claim exemption for 1 year, and commercial for 2 years.	1) Owner "very low income" (HUD) 2) Owner 65 yrs. or older and "low income" (HUD) 3) Owner receives disability SSI or Social Security Disability Insurance benefits and income below 250 percent of 2012 federal poverty guidelines (HHS) 4) The tax would create a "financial hardship due to specific factual circumstances" 5) Property vacant due to "demonstrable hardship that is unrelated to the owner's personal finances" 6) Property under active construction 7) Owner has active building permit application in process 8) Owner has a "substantially complete application for planning approval" under review 9) Owner can prove "exceptional specific circumstances prevent the use or development of the property" 10) Nonprofit owner
Appeals Process	A registered owner may submit a notice of complaint regarding the decision to impose vacancy tax; the registered owner can request a review of the determination by the vacancy tax review panel. The review determination is final, and no appeals will be granted.	Property owner may submit an appeal which is first reviewed by the assessor. If the appeal is still disputed after review, it goes through a review by the commission, then the superior court.	Within 20 days of a vacancy determination, property owner may submit a written administrative appeal and request for a hearing. If the property owner challenges the decision by the hearing officer or independent board, the subsequent appeal will be handled by superior court proceedings.
Proposed use of Revenues and Restrictions to Achieve Policy Goals	Purpose: to return empty and under-utilized properties to long-term rentals and reduce pressure on Vancouver's rental housing market Use of Revenue: reinvested towards affordable housing initiatives, support and advocacy services for vulnerable renters	Additional property taxes are part of General Fund Revenues Registration and renewal fees are deposited into a Nuisance Abatement Fund[16]	Services and programs for homeless people, including the preservation of existing affordable housing and production of new affordable housing, as well as to maintain and clean-up blighted properties. Revenue also used to create a Commission on Homelessness to make funding decisions and to pay tax's administrative costs.

(See over →)

	Vancouver, BC	Washington, DC	Oakland, CA
Revenues	2018: $29.6 million US	2015: $13 million 2016: $9.4 million	$6.6million to $10.6 million (estimated)
Annual Program Costs	$1.9 million (6.4% of revenue)	$645,000[17] (5.8% of average 2015, 2016 revenue)	$452,000 (5.3% of estimated revenue)
Efficacy of Program Operation	Speculation that homeowners are failing to declare vacancy and/or taking advantage of exemptions (8,500 declared vacancy in 2018 vs. 10,800 vacant properties estimated by a 2018 energy utilization study).	Issues have arisen around the identification and tracking of vacant parcels (i.e., a 2017 report by the Office of the District of Columbia Auditor (ODCA) found the DCRA had failed to correctly grant exemptions, collect fines, and send notices of infraction, costing the city an estimated $1M in revenue that year)	Not yet implemented
Efficacy of Achieving Policy Goals	Between tax years 2017 and 2018, the number of declared vacant properties decreased by 22% (from 2,538 to 1,989) and the number of occupied properties increased by 3% (178,117 to 182,917).[18]	Unclear how many properties have been leased, sold, or developed since this tax has been implemented.	Not yet implemented
Implementation & Enforcement Challenges	Community resistance including four lawsuits are currently in process[19]	Speculation that many owners are simply filing for exemptions, filing for building permits they do not intend to complete, or paying the tax instead of developing or selling their properties.	Not yet implemented

ATTACHMENT B

POLICY OPTIONS

	CONSIDERATION	OAKLAND / BLUE SKY	POLICY OPTIONS
(1)	Determine if tax applies to vacant and/or underutilized sites/units/buildings.	*Oakland and Blue Sky* Residential; ground floor commercial; and vacant lots.	**(a)** Residential, ground floor commercial, and vacant lots; or **(b)** Any other combination of property types.
(2)	Define "vacant"	*Oakland* Vacant Property: (a) Residential and commercial properties in use less than 50 days in a calendar year. "In use" (1) Physical occupancy. (2) Civic, commercial, industrial, agricultural, extractive activity. (3) Maintenance of an undeveloped parcel that is contiguous or within 500 feet of an occupied residential parcel owned by the same owner. (4) Ingress/egress limitations. (5) Others deemed appropriate. *Blue Sky* A vacant parcel is "not in use" and an improved parcel is "unoccupied" if it is not in use or unoccupied for more than 180 days per year. Vacant: Undeveloped land without structures or improvements. Unoccupied: Parcels with improvements that are not occupied during the year. "In use" (a) Primary residence of owner at least 180 days. (b) Residential unit rented for at least 180 days (excludes short-term rentals). (c) Ground floor unit in commercial structure or parcel utilized by the owner or rented for at least 180 days. (d) Parcel not subject to the city's business tax or used for a civic purpose	**(a)** Oakland criteria **(b)** Blue Sky criteria **(c)** Other

(3)	Exemptions	*Oakland* 1) Owner "very low income" (HUD). 2) Owner 65 yrs. or older and "low income" (HUD). 3) Owner receives disability SSI or Social Security Disability Insurance benefits and income below 250 percent of 62012 federal poverty guidelines (HHS). 4) The tax would create a "financial hardship due to specific factual circumstances." 5) Property vacant due to "demonstrable hardship that is unrelated to the owner's personal finances." 6) Property under active construction. 7) Owner has active building permit application in process. 8) Owner has a "substantially complete application for planning approval" under review. 9) Owner can prove "exceptional specific circumstances prevent the use or development of the property." 10) Nonprofit owner. *Blue Sky* <u>Vacant Parcels</u> 1) Low income owners. 2) Adjacent parcels. 3) Active development / construction. 4) Ingress / egress limitations. 5) Parcel transferred or legal restriction. on sales/use/development. <u>Unoccupied Residential</u> 1) For rent. 2) Rented, not occupied. 3) For sale. 4) Sold, not occupied. 5) For migrant workers. <u>Unoccupied Residential and Commercial</u> 1) Low income owners. 2) Active development / construction. 3) Parcel transferred or legal restriction on sales/use/development. 4) Owner unable to occupy or use.	Any of the following criteria: **(a)** Oakland criteria (**b)** Blue Sky criteria **(c)** Other noted below: **(i)** Property for rent or sale. (Under the Washington D.C. program, if a property is making a good-faith effort to find a renter, residential buildings can claim exemption for 1 year, and commercial for two years) **(ii)** Property awaiting development approval. (Washington D.C.) **(iii)** Property is subject to probate proceedings or the title is subject of litigation. (Washington D.C.) **(iv)** Owner is Mom-and-Pop owner with less than specified number of units. **(v)** Owner is not related to a corporate entity. **(vi)** Other

(4)	Proposed tax rates; consider establishing a not-to-exceed maximum amount with the ability to adjust any given year.	Flat rate per parcel. *Oakland* (1) Residential, nonresidential, and undeveloped lots = $6,000. (2) Condominium, duplex, or townhouse units under separate ownership = $3,000 per unit. (3) Ground floor commercial space = $3,000 per parcel. *Blue Sky* <u>Unoccupied</u> (1) Residential = $5,000. (2) Commercial = $5,000. <u>Vacant Parcels</u> (1) Single Family Residential = Parcels up to 20,000 sq. ft. = $5,000. >20,000 sq. ft. = $5,000 + $1,000/per additional 20,000 sq. ft. with a max. $20,000/parcel. (2) Multifamily Residential = Parcels up to 20,000 sq. ft. = $10,000. >20,000 sq. ft. = $10,000 + $2,000/per additional 20,000 sq. ft. with a max. $40,000/parcel. (3) Commercial/Industrial= Parcels up to 20,000 sq. ft. = $5,000. >20,000 sq. ft. = $5,000 + $1,000/per additional 20,000 sq. ft. with a max. $20,000/parcel.	Flat rate per parcel as follows: **(a)** Oakland rates **(b)** Blue Sky rates **(c)** Other
(5)	City's process for identifying properties subject to the tax.	*Oakland* Self-reporting by homeowners and additional monitoring by city.	**(a)** Self-reporting by homeowners and additional monitoring by city. **(b)** Other (An HCID report relative to identifying properties is forthcoming and will provide available sources for identifying vacant properties).
(6)	Timeframe to Appeal	*Oakland* 20 days. *Blue Sky* None specified.	**(a)** 20 days **(b)** 60 days **(c)** 90 days **(d)** Other

(7)	Uses for the special tax.	*Oakland* Homelessness services and programs. Preservation of existing affordable housing and production of new affordable housing. Maintain and clean-up blighted properties. To create a Commission on Homelessness that make funding decisions, as established by the voter-approved measure. Administrative costs associated with tax. *Blue Sky* None specified.	**(a)** Uses allowed by Oakland **(b)** Other
(8)	Establish the administrating department - City department to identify parcels to be taxed, handle appeals and related matters, be responsible for working with the County Assessor to effectuate parcel tax and collect penalty revenue received from the County.	*Oakland* Finance Department; and hired a consultant to implement, administer, and manage the tax for up to five years.	**(a)** Department of Finance. **(b)** Other.
(9)	Sunset Provision	*Oakland* *20 years.* *Blue Sky* None stipulated.	**(a)** 5 **(b)** 10 **(c)** 20 years. **(d)** None **(e)** Other.
(10)	City may wish to consider phasing-in so as not to "flood the market" and depress property values.	*Oakland* None. *Blue Sky* Recommended, but not factored into assumptions.	**(a)**Phase in the flat rate per parcel rate by year (over 3 years) for vacant and unoccupied. **(b)**Phase in the flat rate per parcel rate by year (over 3 years) for vacant or unoccupied parcels. **(c)** Other