



## CITY OF ALBANY CITY COUNCIL AGENDA STAFF REPORT

Agenda Date: December 15, 2025

Reviewed by: NA

**SUBJECT:** Potential Revenue Measures for Funding Core City Services

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### **SUMMARY**

This report provides follow up regarding options for consideration related to potential increase in the City's real property transfer tax for funding core City services and unmet needs.

### **STAFF RECOMMENDATION**

That the Council receive a report from staff regarding additional information pertaining to a potential ballot measure to update the real property transfer tax to help support core services and address unmet needs and provide feedback to staff on a proposed rate structure and revenue target.

### **BACKGROUND**

On July 7, 2025 the City Council received a [presentation](#) on potential revenue measures for funding core City services and unmet needs. Council indicated a general interest in further consideration of potential funding mechanisms for enhancing the City's street tree management program, providing additional funding for street lighting maintenance and improvements and General Fund operations. Relative to overall General Fund operations, the adopted FY 2025/26 & FY 2026/27 budgets anticipated a potential deficit of \$1.2 million in the General Fund in FY 2026/27, and potentially increasing deficits over several years following, absent any other changes.

On October 6, 2025, the City Council received a [presentation](#) with additional information specifically related to potential increases to the City's real property transfer tax.

### **DISCUSSION**

This report is a follow-up to the report heard on October 6, 2025, regarding real property transfer tax.

## **Existing tax and approval background**

California state law provides for a base level of property transfer tax per county of \$0.55/\$500 per transaction with the option for cities to adopt a rate equal to half of the county rate. This effectively caps the base rate within a county at \$0.275/\$500 per transaction each for the city and county.

In addition to the state law provision, cities in California that have adopted a Charter, such as Albany, have had the ability to adopt an entirely separate transfer tax rate not limited by the amount in state law.

Prior to the November 2020 General Municipal election, the City of Albany had a voter approved transfer tax rate of \$11.50/\$1,000 transaction. In the 2020 election that rate was increased to the current \$15.00 per \$1,000 purchased. The transfer tax (including the increase approved in 2020) is a general tax supporting all general city operations, requiring and achieving approval of a minimum of 50% of the vote.

## **Questions from the October 6, 2025 presentation**

At the October 6<sup>th</sup> meeting, there were several questions asked about potential implementation components of an increased real property transfer tax rate. They are discussed below.

- 1. Could the City provide a discount for multiple dwellings on a single property?**  
Currently there is no efficient mechanism to track this information in a way that would be accessible to realtors, buyers or sellers wanting to estimate the amount of real property transfer tax their transaction would cost. An initial evaluation by staff is that it would likely be too burdensome to the sale process and would make it unnecessarily complicated.
- 2. Could the City implement a low-income or first-time property buyer discount or rebate?** Because the real property transfer tax is a cost often shared between buyer and seller of a property and facilitated through a title company, there is no direct role for the City in that transaction. Implementing a rebate of a portion of the real property transfer tax paid could be feasible, but would again be administratively burdensome given how real property tax sharing between buyer and seller is often negotiated as part of the sale. Further, buyers or sellers may not be Albany residents adding another layer of complexity to administration of such a program. Staff would not recommend pursuing a low-income buyer rebate program.

## **Potential Risks on the Horizon**

As mentioned in the October 6<sup>th</sup> report, there is currently an initiative measure circulating for signatures that would have severe consequences for Albany and other charter cities that have enacted their own transfer taxes. The proposed measure would prohibit charter cities from having their own transfer taxes (above the statutory 27.5 cents per \$500). Specifically, the measure would invalidate all existing charter city-only transfer taxes on December 31 two

years following enactment of the measure by statewide voters. The measure also would prohibit charter cities from imposing any *new* charter city-only transfer taxes.

## **SUSTAINABILITY AND SOCIAL EQUITY CONSIDERATIONS**

An increase to the real property transfer tax will have co-benefits towards furthering sustainability priorities within the City as the funds would help support the City's general fund which is utilized to fund sustainability initiatives.

## **CITY COUNCIL STRATEGIC PLAN INITIATIVES**

This item aims to further the City Council Strategic Plan.

### *Goal 5: Increase Revenue to Sustain City Services*

Objectives:

- Identify funding mechanisms to further stabilize the City's General Fund through exploration of various revenue generating streams
- Identify funding and strategies to manage unfunded pension liabilities
- Develop options to restructure the Business License Tax
- Consider amending property taxes and fees so that they apply to unsecured property

## **FINANCIAL CONSIDERATIONS**

There are several ways that the City could structure tiered rates for the real property transfer tax. As described in the October 6<sup>th</sup> report, a simple two-tier structure could produce the following amounts.

- Implementing a tiered structure with the existing \$15/\$1,000 remaining in place for properties selling for less than \$1.5 million and a \$25/\$1,000 for properties over that – new annual revenue would be ~\$725,000 annually.
- If the tier is implemented with the existing rate in place for properties selling for less than \$1million and then a \$25/\$1,000 for properties over \$1 million – new annual revenue would be ~\$1.2 million.

The table below shows a comparison of the current rate and two other potential options based on four tiers of price points.

- Both Options propose to reduce the rate for the lowest tier or quartile.
- In Option 1, the rate for the highest tier rises to \$25/\$1,000 value.
- In Option 2, the rate changes are more modest, both in terms of the drop for the lowest tier and the top rate for the highest tier.
- Any combination of rates at different levels is possible and will ultimately determine the total amount of new revenue that could be generated.

- The tiers could also be set at flat amounts (<\$500,000, \$500,000-\$1,000,000, \$1,000,000-\$1,500,000, >\$1,500,000). This would create a simpler starting point, although the amounts would change with any annual index that is adopted). The total estimated amount of revenue generated would be the same as the quartiles shown below.

Based on County Recorder Data of Transfer Tax

01/01/2023 - 10/31/2025

	Current		Option 1		Option 2	
	Rate	Revenue	Rate	Revenue	Rate	Revenue
Quartile 1 (< \$649,000)	\$15	\$229,585	\$10	\$153,057	\$12	\$183,668
Quartile 2 (\$649,001-\$1,075,000)	\$15	\$427,795	\$15	\$427,795	\$15	\$427,795
Quartile 3 (\$1,075,001 -\$1,482,500)	\$15	\$624,385	\$20	\$832,513	\$17	\$707,636
Quartile 4 (> \$1,482,500)	\$15	\$1,087,628	\$25	\$1,812,713	\$20	\$1,450,170
		\$2,369,392		\$3,226,077		\$2,769,269
<b>Additional Revenue vs Current</b>				\$856,685		\$399,877

It is advised that the Council select a revenue target that considers overall funding needs, likely in the range of \$800,000 or greater in total additional revenue. It should also be noted that these are preliminary estimates, and the transfer tax can be a volatile revenue source as it reflects the overall health of the real estate market and local economy. As the City saw in the Great Recession, there are circumstances where property values can fall, and fewer real estate transactions are taking place. So while the transfer tax has been a strong revenue source for the City in recent years, it can be more sensitive to local economic changes than other revenue sources.

Increases in the Consumer Price Index (CPI) over the last three years (April to April) have averaged approximately 3%. So, an annual CPI escalator for the quartile or tier amounts would be expected to increase the amounts by approximately that percentage each year.

## **NEXT STEPS**

Pending Council direction on the rate structure for a transfer tax increase, staff will work in coordination with the City Attorney's Office to develop draft ballot measure language and an accompanying ordinance for Council consideration for the November 2026 General Municipal Election.