

City of Piedmont
COUNCIL AGENDA REPORT -
Revised

DATE: May 18, 2026

TO: Mayor and Council

FROM: Rosanna Bayon Moore, City Administrator

SUBJECT: Review of Budget Advisory and Financial Planning Committee
Recommendations Regarding the Real Property Transfer Tax Rate

RECOMMENDATION:

Receive the report of the Budget Advisory and Financial Planning Committee regarding the City's Real Property Transfer Tax ("RPTT") rate and provide direction to staff regarding potential next steps, including preparation of a ballot measure for voter consideration.

BACKGROUND:

As part of its ongoing long-range financial planning discussions, the City Council requested that the Budget Advisory and Financial Planning Committee ("Committee") evaluate potential funding mechanisms to address the City's growing deferred maintenance obligations, capital infrastructure needs, and long-term revenue sustainability.

The Committee reviewed the City's current Real Property Transfer Tax structure, historical revenue trends, comparative tax rates in neighboring Alameda County jurisdictions, and the City's ongoing capital and facilities funding needs. Following its review, the Committee prepared the attached report recommending that the City Council consider increasing the current RPTT rate from \$13.00 per \$1,000 of assessed value (1.3%) to a range between \$15.00 and \$17.00 per \$1,000 of assessed value (1.5% to 1.78%). The Committee also suggested that the Council may wish to evaluate a tiered rate structure similar to those adopted in several neighboring jurisdictions.

The City's current RPTT rate was last adjusted in 1993.

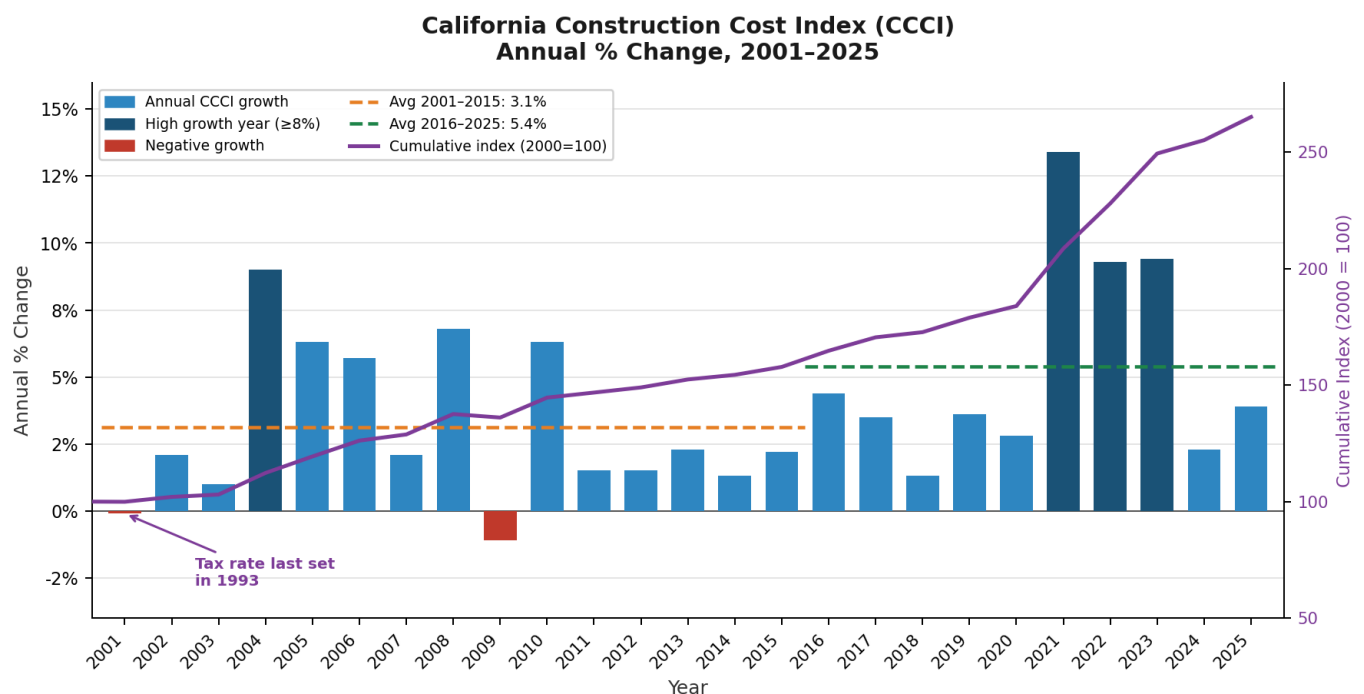
DISCUSSION:

The City continues to face increasing costs associated with maintaining and rehabilitating public facilities, infrastructure, parks, streets, sidewalks, and other capital assets. Over the past several years, inflationary pressures and significant escalation in construction costs have materially increased the cost of delivering capital projects and addressing deferred maintenance needs.

In recent years, the City has spent approximately \$3 million to \$6 million annually on facilities maintenance and capital improvements, excluding extraordinary one-time expenditures associated with the new Community Pool project. Future infrastructure obligations include continued sewer rehabilitation, facility modernization, park improvements, street and sidewalk

maintenance, and other deferred capital needs.

The following chart presents the historical California Construction Cost Index (CCCI) published by the California Department of General Services. The data illustrates the significant and accelerating escalation in public construction costs over the past 25 years. Since 2000, the CCCI has increased by more than 114%, meaning that a project costing \$1 million in 2000 would cost over \$2.1 million today. Notably, the pace of cost growth has accelerated in recent years — averaging 5.4% annually from 2016 through 2025, compared to 3.1% annually from 2001 through 2015. The years 2021, 2022, and 2023 saw particularly sharp increases of 13.4%, 9.3%, and 9.4%, respectively, driven by post-pandemic supply chain disruptions, materials shortages, and labor cost pressures. These trends directly affect the City's cost to maintain, rehabilitate, and replace aging infrastructure and public facilities — costs that have more than doubled since the City's Real Property Transfer Tax rate was last set in 1993.



The Committee's report notes that Piedmont's revenue structure differs from many neighboring jurisdictions because the City has minimal commercial or industrial tax base and therefore relies more heavily on residential property-related revenues, including the RPTT.

The attached Committee report provides additional detail regarding:

- Historical RPTT receipts,
- Comparative tax rates among Alameda County cities,
- Projected revenues under various flat and tiered rate scenarios,
- Policy considerations related to long-term fiscal sustainability.

The Committee concluded that an increase in the RPTT could provide the City with additional resources to address escalating deferred maintenance obligations and ongoing capital infrastructure needs while maintaining the Council's historically conservative budgeting practices related to transfer tax revenues.

At this time, the Council is being asked to receive the Committee's report and provide direction regarding whether staff should proceed with additional analysis, community outreach, and preparation of a potential ballot measure for future voter consideration.

POTENTIAL BALLOT TIMELINE:

Should the City Council wish to place a Real Property Transfer Tax measure on the November 2026 ballot, the measure materials would need to be submitted to the Alameda County Registrar of Voters by no later than August 7, 2026.

To meet that deadline, the City would need to complete the required ordinance introduction and adoption process. Potential meeting dates for consideration could include:

- July 6, 2026 – First Reading / Introduction of Ordinance
- July 20, 2026 – Second Reading / Adoption of Ordinance and Ballot Measure

The timeline also requires preparation of ballot materials, legal review, and community outreach activities during the summer months.

FISCAL IMPACT

This item does not itself increase taxes or generate additional revenue. Any future adjustment to the Real Property Transfer Tax rate would require voter approval.

As outlined in the attached Committee report, depending on the rate structure selected and actual real estate market activity, an increase in the RPTT could generate approximately \$338,000 to \$1.4 million in additional annual revenues based on historical averages.

Additional revenues, if approved by voters, would support the City's General Fund and help address increasing deferred maintenance and long-term capital infrastructure needs.

CITY ATTORNEY REVIEW

The City Attorney has reviewed the attached report.

ATTACHMENTS

A: Report from Budget Advisory and Financial Planning Committee

By: Kiran Bawa, Finance Director

Executive Summary

The Budget Advisory and Financial Planning Committee recommends that the City Council consider increasing the current Real Property Transfer Tax (“RPTT”) rate from \$13.00 per thousand of assessed value (AV) to somewhere between \$15 and \$17 per thousand of assessed value. For convenience, this increase represents a change from 1.3% to potentially 1.5% to 1.8% of assessed value.

Given Piedmont’s high median home sale price, a tiered rate may also be considered as an alternative approach, similar to structures adopted by neighboring cities

This tax supports City services through the General Fund; the City has used strong RPTT receipts to augment infrastructure needs related to City buildings, sidewalks, and parks. Given the ongoing need to maintain and repair City facilities and rising construction and labor costs, an increase in the RPTT is both appropriate and prudent. The current rate has not been adjusted since 1993 – over 30 years – during which time construction and maintenance costs have risen substantially.

Background

The RPTT is a one-time tax levied on a property at the time of sale. Many Bay Area cities, including Piedmont, have imposed this tax through amendments to their City charters.

Because Piedmont is a charter city, it has the authority to set its own RPTT rate, subject to voter approval. The RPTT has proven to be an important source of revenue in supporting City services through the General Fund. In the City of Piedmont, the tax was created in 1968; the current rate of \$13.00 per \$1,000 of assessed value was set in 1993. This tax is separate form, and in addition to, the Documentary Transfer Tax collected by Alameda County.

According to local real estate agencies and title companies, the responsibility for paying transfer taxes is usually decided by local market customs. In Alameda County, the County transfer taxes are customarily paid by the seller, and the City transfer taxes are typically split equally between buyer and seller. Individual buyers and sellers are free to negotiate any arrangement they wish, but most transactions are conducted in this manner.

The RPTT is assessed only when a property transfers for monetary consideration. Exempt transfers include those between trusts, gifts, transfers to governmental agencies, dissolution of marriage, and transfer upon death.

It should be noted that a prior RPTT increase (Measure TT) was placed on the November 2020 ballot and did not pass by a small margin. The Committee believes that a revised proposal – supported by updated fiscal data and a clearly articulated need – can earn voter support.

Piedmont RPTT – Historical Receipts

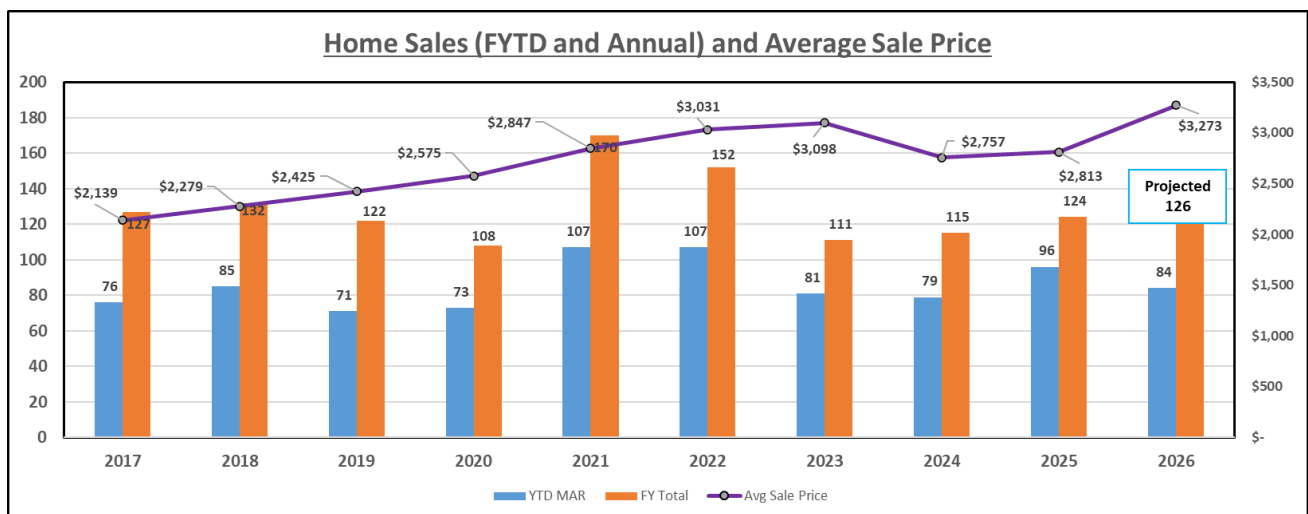
As shown in the chart below, RPTT receipts can vary significantly. There have been several years – particularly from 2020 through 2022 – when tax receipts far exceeded projections.

RPTT revenue is a product of both the price of homes and the number of homes sold. Recent years have been more stable, but there is no guarantee those results will continue.

FY 2025-26	\$4,600,000 Est.
FY 2024-25	\$4,518,003
FY 2023-24	\$4,086,499
FY 2022-23	\$4,464,897
FY 2021-22	\$5,981,156

FY 2020-21	\$6,286,618
FY 2019-20	\$3,602,616
FY 2018-19	\$3,819,816
FY 2017-18	\$3,845,198
FY 2016-17	\$3,522,079
FY 2015-16	\$3,118,597

The relative impact of home sale prices and houses sold is illustrated below:



Comparison- Alameda County Cities.

For comparative purposes, several cities in Alameda County have RPTT rates above the basic County documentary transfer tax. Since 2020, several have enacted or increased their RPTT. Below is a summary of RPTT rates in Alameda County:

- Alameda (Flat)
 - 1.2%
- Albany (Flat)
 - 1.5%

- Berkeley (Tiered)
 - 1.5% – Less than \$1.6 million
 - 2.5% – \$1.6 million and above
- Emeryville (Tiered)
 - 1.2% – Less than \$1.0 million
 - 1.5% – \$1.0 million to \$2.0 million
 - 2.5% – Greater than \$2.0 million
- Oakland (Tiered)
 - 1.0% – Less than \$300K
 - 1.5% – \$300K to \$2 million
 - 1.75% – \$2 million to \$5 million
 - 2.5% – Greater than \$5 million
- San Leandro (Flat)
 - 1.1%

An important distinction when comparing Piedmont to these cities is that Alameda, Albany, Berkeley, Emeryville, Oakland, and San Leandro all have substantially larger commercial and industrial tax bases from which to generate revenue. Piedmont, by contrast, is almost entirely residential with minimal commercial activity. This makes the City more reliant on the RPTT as a revenue source than many of its neighboring jurisdictions.

Piedmont's year-to-date average home sale price is approximately \$3.3 million, which is significantly higher than that of most surrounding cities. At the current 1.3% rate, the RPTT on an average-priced Piedmont home is approximately \$42,500. The proposed increase would place Piedmont's RPTT above several cities' flat rates but below the higher tiers that Berkeley, Emeryville, and Oakland apply to homes in this price range.

Prospective Revenues-RPTT Increase

The table below shows projected RPTT revenue at various rate levels, using both the 5-year average (\$4.7M) and 10-year average (\$4.4M) as baselines. Using two baselines provides a conservative and moderate estimate, reflecting the inherent volatility in RPTT receipts.

Rate	Based on <u>5-yr Avg.</u> of \$4.7M		Based on <u>10-yr Avg.</u> of \$4.4M	
	REVENUE	INCREASE	REVENUE	INCREASE
1.3%	\$4.7 M		\$4.4 M	
1.4%	\$5.06 M	\$362,000	\$4.74 M	\$338,000
1.5%	\$5.42 M	\$723,000	\$5.08 M	\$677,000
1.6%	\$5.78 M	\$1,085,000	\$5.42 M	\$1,015,000
1.7%	\$6.15 M	\$1,446,000	\$5.75 M	\$1,354,000

As noted above, given Piedmont's high median home sale price, a tiered rate could be considered as an alternative approach, consistent with structures adopted by nearby cities.

In recent years, the City has spent \$3M to \$6M annually for facilities maintenance and capital improvements. This range excludes unplanned expenditure related to the new Community Pool, which should be viewed as a one-time item.

RPTT revenues, including the proposed increase, will allow the City to maintain its current capital spending level and better address rising capital and maintenance costs.

Conclusion

Over the past decade, the Council has taken a conservative approach to budgeting expenses based on RPTT revenues. The Committee assumes that the Council will continue that approach.

A long-overdue increase in the RPTT would provide the City with additional resources to continue to maintain its facilities and make needed improvements in infrastructure.

The Committee recommends that the Council direct staff to prepare a ballot measure for voter consideration, including community outreach to articulate the rationale and fiscal need for additional revenue.

With a rate unchanged since 1993, no commercial tax base to fall back on, and home values that already trigger the higher transfer tax tiers in neighboring cities, the Committee believes a well-structured RPTT increase merits serious consideration by the Council.

Transfer Tax Additional Detail Tiered Structure Analysis

May 7, 2026

Context for a Tiered RPTT Structure

A Tiered Structure as a Complementary Option

- The draft memo recommends a flat-rate increase but does not evaluate a tiered alternative
- Tiered transfer taxes are already in place in Berkeley, Emeryville, and Oakland
- These cities use a “cliff” structure: the rate for a given bracket applies to the entire sale price, not just the amount above the threshold
- Worth noting as additional context: Berkeley is significantly adjusting its tiers effective January 2027:
 - 1.5% for properties under \$1.6M | 2.5% for \$1.6M–\$1.9M | 3.0% for \$1.9M–\$3.0M | 3.5% for over \$3.0M

Key Benefits of a Tiered Approach

- Protects lower-value transactions — the base rate can stay flat for a significant share of buyers and sellers, concentrating the increase on higher-priced homes
- Potential built-in inflation hedge — the RPTT has not changed since 1993, and history suggests another adjustment is unlikely soon. As home values appreciate, more transactions shift into higher tiers, generating incremental revenue without a future ballot measure (with the caveat that a tiered structure could take inflation into account, as Berkeley’s does)
- Consistent with regional precedent — three of six Alameda County cities with an RPTT use a tiered framework
- Graduated burden — ties tax more closely to transaction size, which may broaden voter appeal given Measure TT’s narrow defeat in 2020

Next Steps

- A potential tiered framework using approximate figures is presented on the following slide
- We may want to add further language to the memo suggesting Council also direct staff to model a tiered structure alongside the proposed flat-rate increase

Transfer Tax – Tiered Approach

- Based on Redfin data covering 129 transactions over the trailing 12 months; directionally correct but not precise
- Illustrates one of many possible scenarios to demonstrate the potential impact of a tiered structure
- The scenario below is not a proposal; the purpose is to give the Committee a sense of the impact of a tiered structure

	Rate	# Homes Sold	Total \$'s Taxed	Tax Revenue	Incremental Revenue
Flat					
Current	1.30%	129	\$412.96	\$5.37	
	1.40%	129	\$412.96	\$5.78	\$0.41
	1.50%	129	\$412.96	\$6.19	\$0.83
	1.60%	129	\$412.96	\$6.61	\$1.24
	1.70%	129	\$412.96	\$7.02	\$1.65



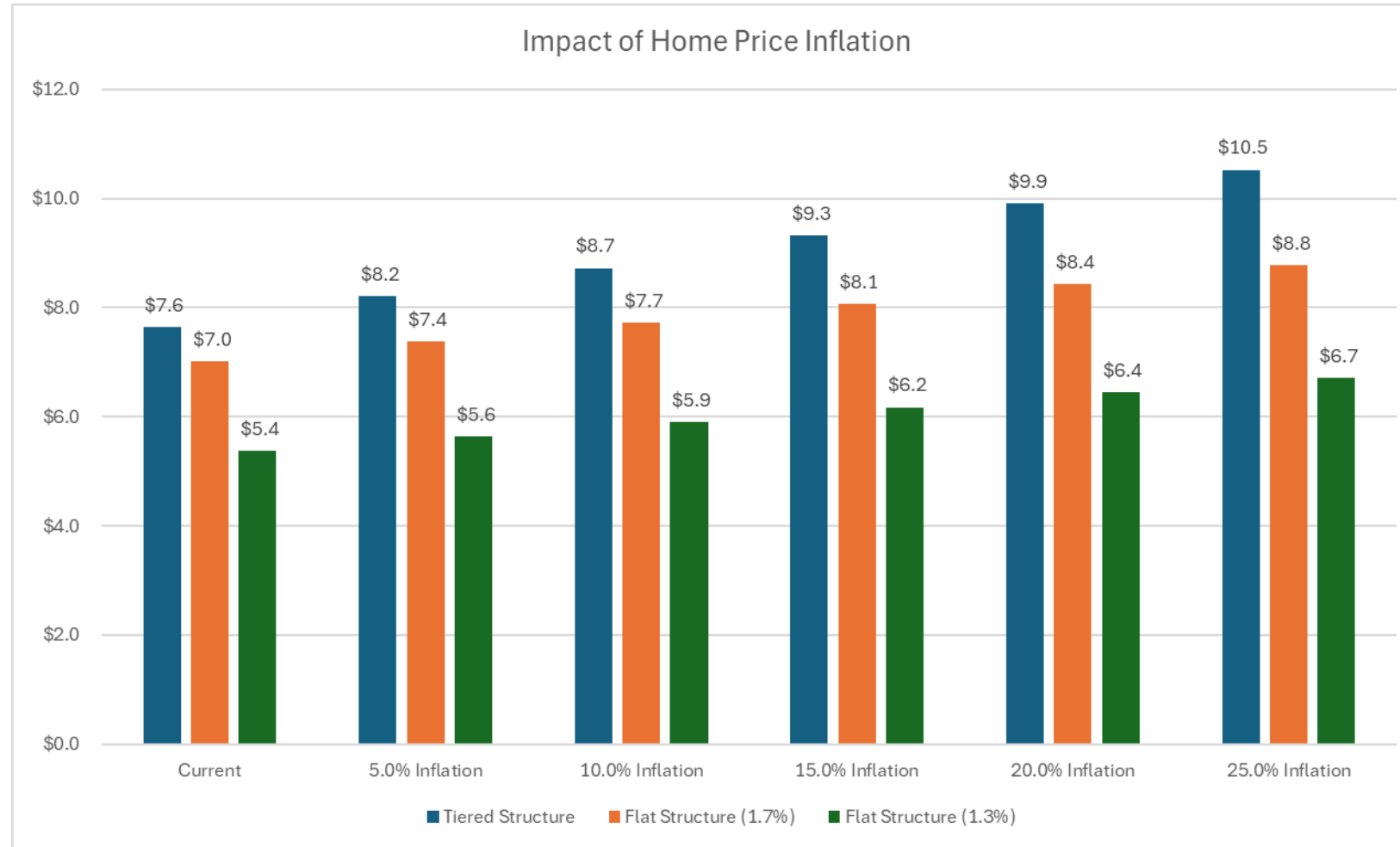
- Mirrors the subcommittee memo's flat-rate analysis: scenarios from 1.3% to 1.7% applied uniformly across all 129 sales
- At 1.7%, total revenue reaches ~\$7.0M — an increase of ~\$1.65M over the current rate

Tiered					
\$0.0-\$2.5M	1.30%	58	\$107.73	\$1.40	
\$2.5-\$3.5M	1.50%	36	\$105.80	\$1.59	
\$3.5-\$4.5M	2.00%	17	\$67.62	\$1.35	
\$4.5M+	2.50%	18	\$131.80	\$3.30	
Total	1.85%	129	\$412.96	\$7.64	\$2.27



- Same 129 transactions, but rates vary by sale price: 1.3% for homes under \$2.5M up to 2.5% for homes above \$4.5M
- Generates ~\$7.6M total (+\$2.27M) — ~38% more incremental revenue than the highest flat scenario, while keeping the rate unchanged for 45% of transactions

How a Tiered Structure Could Respond to Home Price Inflation



Same 129 transactions repriced at 5%–25% home price inflation under three scenarios: flat 1.3%, flat 1.7%, and the tiered structure.

- Tiered **outpaces both flat scenarios** at every inflation level
- The **gap widens** as prices rise — at 25% inflation, tiered generates \$10.5M vs. \$8.8M flat (1.7%): a \$1.7M advantage
- As values appreciate, more transactions cross into higher tiers — revenue grows **automatically** without a future ballot measure
- RPTT unchanged since 1993 — a tiered structure **self-adjusts** as the market moves
- Caveat: Berkeley's Measure W (eff. Jan 2027) **indexes thresholds to inflation** — tiers recalculate annually to the 67th, 80th, and 95th percentiles of transactions (floors: \$1.6M / \$1.9M / \$3.0M). If Piedmont adopted similar indexing, the inflation-hedge effect shown here would be **dampened**, as thresholds would rise with the market

Key Considerations

Voter Communication

- A tiered ballot measure is more complex to explain than a simple flat-rate increase
- Measure TT failed narrowly as a flat proposal in 2020; a tiered structure will need a clear, digestible narrative to earn voter support

Revenue Predictability

- With a cliff structure, small movements in sale price near a threshold create large swings in tax owed, making revenue modeling less predictable
- Piedmont's small transaction volume (~120 sales/year) amplifies this effect compared to larger cities

Threshold Design

- Piedmont's average sale price is ~\$3.3M — tiers must be calibrated to the local price distribution so the structure differentiates meaningfully, rather than placing nearly all homes in the top bracket
- In theory, cliff structures could incentivize pricing just below a threshold, though this effect is limited in high-demand markets

Administration

- Incremental administrative burden is minimal — the county already administers tiered RPTT structures for Berkeley, Emeryville, and Oakland