

CITY OF EAST PALO ALTO

REPORT OF

CITIZENS TASK FORCE ON FISCAL AFFAIRS

JANUARY 19, 1989

PREPARED FOR:
CITY COUNCIL

MEMBERS OF THE COUNCIL

**WILLIAM VINES - MAYOR
JOHN BOSTIC - VICE MAYOR
PAT JOHNSON
BARBARA A. MOUTON
WARNELL COATS**



**2415 UNIVERSITY AVENUE
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STANLEY M. HALL, CITY MANAGER

January 19, 1989

The Honorable Mayor and Members of the City Council
East Palo Alto, California

Dear Mayor and Councilmembers:

We are pleased to transmit the report of the Citizens Task Force on Fiscal Affairs for your review and consideration. Task Force members approached their task with the utmost care and prudence in view of the paramount importance and seriousness of the financial crisis confronting our City.

As you know, the Task Force was given 30 days to formulate specific recommendations that the Council could use to solve the fiscal crisis. In that regard, we viewed our mission as follows:

1. Review the structure of City government, its services, financial history and future to gain perspective and an understanding of the City's overall goals and objectives;
2. Examine the present financial condition to determine the extent of the problem and what steps needed to be taken to correct it; and
3. Report our findings and recommendations to the Council to alleviate and remedy the situation, as well as assure the City's future financial stability and well being.

We proceeded by reviewing a variety of documents including recent financial audits, past and current fiscal year budgets, the Harvey Rose Report, among other documents. Subsequently, we decided to form two sub-committees: the Revenue and Expenditure Sub-Committees respectively. The task of the sub-committees were to take a closer, more detailed look at the issues on their respective sides of the ledger.

As a Task Force we met formally eight times (December 12, 15, 19, 29; January 3, 5, 9, 12), as well as two to three times a week in sub-committees. We did as much research as possible within the short timeframe, which included holidays, as was humanly possible. Of necessity, some of our recommendations require more in-depth research to gain a fuller understanding of their fiscal impact; however, a majority of the recommendations are designed to address the immediate financial crisis to confronting the City by recommending ways to cut expenditures and raise additional revenue.

REGULAR COUNCIL MEETINGS THE FIRST AND THIRD MONDAYS OF EACH MONTH AT 7:30 P.M.

The recommendations of both the Revenue and Expenditure Sub-Committees were unanimously supported by the full Task Force, with the exception of the Revenue Sub-Committee recommendation No. 4 as so noted.

The Task Force wishes to thank Russell V. Averhart, Assistant to the City Manager/Personnel Manager, and Russell Bouligny, Finance Director, for their support and assistance.

Special thanks is also in order to Ms. Sandy Solerno, Finance Director, City of Belmont, for unselfish commitment of her time and invaluable insight to the Task Force in its deliberations.

It is our hope and desire that the Council will find our work helpful as you begin your urgent deliberations to safeguard and preserve our young City. We are available to meet and discuss our report and its recommendations with you as soon as possible.

Respectfully Submitted
Citizens Task Force on Fiscal Affairs


Myrtle Walker
Chairperson

ROSTER

CITIZENS TASK FORCE ON FISCAL AFFAIRS
JANUARY 19, 1989

CITY COUNCIL

WILLIAM VINES, MAYOR
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BARBARA MOUTON, COUNCILMEMBER

FISCAL AFFAIRS TASK FORCE

○ MYRTLE WALKER, CHAIRPERSON
○ SHARIFA WILSON, VICE-CHAIRPERSON
HENRY ANTHONY, MEMBER ○
LONNIE BOGAN, MEMBER ○
L.A. BRECKENRIDGE, MEMBER ○
MIKE DEMETER, MEMBER
JOSEPH HORWARTH, MEMBER
AL NAKAI, MEMBER
RICHARD REYES, MEMBER ○
RON ROGGE, MEMBER
○ ARMOND ROSS, MEMBER
○ GLENDA SAVAGE, MEMBER
○ JETTIE WALKER, MEMBER ○

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STAFF

STANLEY H. HALL, CITY MANAGER
RUSSELL V. AVERHART, PERSONNEL MANAGER
RUSSELL BOULIGNY, FINANCE DIRECTOR
SANDY SOLERNO, FINANCE DIRECTOR, BELMONT

CONTENTS

1. EXPENDITURE REPORT

2. REVENUE REPORT

A. RENT CONTROL

Majority Report (attachment "A")
Minority Report (attachment "B")
Table "M" (attachment "C")

EXPENDITURES

REPORT

REPORT OF EXPENDITURE SUB-COMMITTEE

While the primary focus of our Task Force was to find and recommend appropriate measures to resolve the financial crisis, we also believe that it is equally important for us to report and the public to understand how the City arrived at such an embarrassing and precarious financial predicament.

The City of East Palo Alto engaged in a sustained practice of deficit spending beginning July 1, 1985 through June 30, 1987. The City not only spent more than it took in in revenue each year, it used its precious reserves to make up the difference. One does not have to have a degree in economics to understand that this practice could not go on forever without a day of reckoning sooner or later.

The City's day of reckoning arrived in August 1987 in the form of a "cash-flow" crisis. The City was on the verge of becoming insolvent; unable to pay all its debts as they became due.

In addition to a sustained practice of deficit spending, situation was compounded further by:

1. BUDGETS

1. ACCOUNTING/RECORDKEEPING

The City's accounting system was wholly inadequate and did not provide the Council or City Manager with accurate, timely information in order to make informed decisions.

2. CASH MANAGEMENT

The lack of an adequate accounting/recordkeeping resulted in the City almost running out of cash and the delaying payment of current liabilities as they become due.

3. EXPENDITURES

Expenditure for overtime and purchases of goods and services were excessive and way out of proportion for a city the size of East Palo Alto. Overtime costs were particularly excessive in the Police Department and the Public Works Department.

5. REVENUES

Revenues were consistently overstated in approved budgets; and, during the course of the fiscal year, expenditures were not reduced to bring them in line with revised revenue estimates.

5. **AUDITS**

The fact that audits for fiscal year 1985-86 and 1986-87 were not completed until of May 1988 speaks for itself.

6 **UNPLANNED/UNBUDGETED EXPENDITURES**

In addition to all of the aforementioned, the City also made significant, unplanned expenditures with no increase in revenue or offsetting expenditure reductions.

Recommendations on City Expenditures

The recommendations of the Expenditures Sub-committee of the Citizen's Task Force on Fiscal Affairs are limited, in respect, that the thirty (30) day charter given this body by the City Council, does not avail itself to the critical analysis necessary to address many issues. These more complex issues should be confronted in the very near future, as they might well prove to be a continual source of irritation in the future development of the City. Some issues, however, are less complex, and instant analysis is procedurally appropriate.

1. Fiscal Findings:

As of November 23, 1988, the City of East Palo Alto, owed \$1,421,104.74.

The vast majority of this unfunded liability, \$1,172,578.10, is presently, over ninety (90) days past due.

Of the, over ninety (90) day past due bills, \$809,732.56, is for Employee Retirement, Worker's Compensation, and Payroll Taxes.

Roughly, 1.2 million dollars of the City's unfunded liability, was carried over into this budget year, from the 1986-87 and 1987-88 budget years. But this prior years deficit, was not shown in the budget year 1988-89 Beginning Fund Balance, as was appropriate.

This liability remained unfunded in the City's 1988-89 budget.

As the City's administration has slowly begun to make attempts to retire the previous years deficits, it has had to address at the same time, that:

- 1) the carry over deficit was not budgeted for retirement in the 1988-89 budget, and
- 2) the 1988-89 budget alone, will be some \$418,000 to \$750,000 in projected deficit.

Analysis of the City's spending patterns, from July 1, 1988 to November 30, 1988, show evidence that the City's administration is aware of the potential budget deficit; and has take some steps to slow spending.

It is just as evident, that these actions alone, will not suffice to end the spending hemorrhage.

Should City revenue not be increased, drastic cuts in government services will be necessary.

1. Fiscal Findings: continued:

Primary to incorporated East Palo Alto's immediate survival, is that the City must face directly the present \$1,421,104.74 deficit, which is growing each day.

The Council must enact an aggressive plan to retire this debt.

Recommendation:

- 1) Immediate Hiring Freeze
- 2) Develop a deficit reduction plan which will retire the City's unfunded liability in the next two fiscal years.

2. Fiscal 1988-89 Projected Budget Deficit:

The East Palo Alto 1988-89 budget was approved with the expectation that three (3) sources of revenue (called in the 1988-89 budget, Contingent General Fund Revenue) would contribute to the City's operating funds.

The first of these revenue's, the proposed 5% Utility Users Tax of \$418,000 did not receive voter approval on November 8, 1988. Without this tax, the 1988-89 budget will be \$418,000 in deficit.

The second revenue source is contingent upon conclusion on the University Circle Redevelopment process (\$200,000). Given the legal challenges in this area, it might prove prudent policy not to continue to rely on this funding source for the 1988-89 budget year.

Finally, the Storage Bin Usage Tax (\$132,000), this tax, which the City assessed on storage rental facilities, has never been collected.

Recommendation: That the City amended it's 1988-89 budget, minus:

Utility Tax	\$418,000.00
University Circle Fee	\$200,000.00
<u>Storage Tax</u>	<u>\$132,000.00</u>
Total	\$750,000.00

3. Safety and Risk Management:

The City currently has no policy to address the speed in which police units operate when in pursuit or in response to an incident. In a two year period, 1986-88, the City has paid out \$61,278.04, on twenty-one claims involving the Police Department. Many of these claims have been the result of motor vehicle/property damage caused by police services.

4. Claim Trends:

60% of City Claims are Police related.

80% of Police Claims Dollar Payouts, involve civilian injury during police interactions.

5. Police Budget Priorities:

The Task Force believes that priority should be given in the Police Department budget, to training. Increased training should produce a positive result by decreasing the number claims against the City and in personnel retention.

Stress, communications, and conflict resolution training geared toward claim reduction and personnel retention should have direct and immediate impact on the City's Budget.

6. Police Services:

The Drug Problem in East Palo Alto is not insular to this City alone. The Drug activity in this community supports the demand of many surrounding communities as well as having an adverse impact on at least three adjoining counties.

The surrounding communities, which are better funded, have been able to minimize open drug sales to some extent, within their cities.

The effective policing of these surrounding communities over the years, has pushed the region's drug activity into the area of least resistance, East Palo Alto.

East Palo Alto, in the effort to gain control of its' streets from the narcotic trade has had to expend in excess of 45% of its' budget for police services.

In relationship, Redwood City spends 15%, Palo Alto 17%, Menlo Park 16%, and Mountain View 20% on police services.

Recommendation:

Given that the drug trade is a regional problem and one in which the City inherited at incorporation, the County of San Mateo should act to mitigate this impact on the City of East Palo Alto, by suspending for five (5) years,

1) Rent on the East Palo Alto Municipal Building of \$125,000 per year, and

2) Police Communications and other County provided Police Services of \$465,000 per year.

7. Public Works Department:

Recommendations:

Assessment needed of worker qualifications. Does the City have the necessary skills in-house to meet it's needs.

Prioritize work assignments. Do only high priority work. High priority work should be that work which will generate the greatest public use, effect, and visibility.

Workers might need to be given greater responsibility, less supervision. This in order that more might be accomplished within the department with less.

Study the feasibility of contracting out of all public works services, except for the City Engineer, to a public/private entity.

Conducted a cost benefit analysis of a joint powers agreement between the City and the East Palo Alto Sanitation District for all public works services.

8. Code Enforcement:

There is a perception within the community, that political pressure has been brought to play in the area of Code Enforcement which has reduced its' effectiveness. As with Police, this is one of the areas where a City can ill afford a bad public image.

Recommendation:

Code Enforcement should be directed to survey and determine the legal status of all:

Board and Care Facilities
Commercial Businesses
Alcohol Sales and Use Establishments

9. Other Fiscal Issues of Note:

\$425,000.00 was spent to rehab the Bell Street Recreation Facility and Pool in 1986-87. That facility is now closed.

\$100,000.00 was spent on the Ravenswood High School site in preparation for the 1987 Ravenswood School District QEP Rally. This facility is now closed.

\$104,000.00 in Risk/Claims have been paid out by the City since 1986. These claims had not been budgeted for in any of the City's budgets.

9. Other Fiscal Issues of Note: continued:

Currently, the City faces an unfunded Risk/Claim Liability of \$622,337.00.

The City will experience a revenue reduction of \$263,400.00 per year, beginning in budget year 1991-92, in Motor Vehicle License Fees, due to State accounting changes.

The City will lose \$124,330.00 in revenues from the Highway User Tax, starting in budget year 1991-92, again due to accounting changes by the State.

Conclusions:

The East Palo Alto Foundation should be fully activated. It is recommended that the board of this body should be drawn from a broad based group of industry executives, who have proven fund raising skills. This foundation should be used for donation of private grants, services, supplies, and executive consultants.

The City should apply to the Public Service Center of Owen House at Stanford University, for public service project support.

The City Council must either, drastically cut city services, or it must approach the voters for financial support.

REVENUE

REPORT

Recommendations from the Revenue Sub-committee

The following are the recommendations developed by the Revenue sub-committee to the Citizen's Committee on Fiscal Affairs. We have examined the existing revenue sources and looked for ways by which they could be enhanced. Understanding the financial crisis we face, we gave consideration to developing revenues on both a short and long term basis. The full committee supports the recommendations, except where noted. We hope our recommendations will provide assistance to the Council in its efforts to develop policy.

1- Property Transfer Fee:

Local Property transfer fee of \$3.20 per \$1000 assessed valuation. Buyer and Seller to share the fee. Fees to be collected by the Title companies, and San Mateo County. The money is to be deposited to the general fund. This is a new fee designed to increase city revenues.

Requires immediate Council action: a City ordinance establishing a Real Property Transfer Fee

(The ordinance can be modeled after the City of San Mateo present ordinance)

Revenue Impact:

\$22,000,000 = approximate amount of real estate transferred in East Palo Alto Nov '87- Nov '88

\$3.20 = rate per \$1000 assessed valuation

$\$22,000,000 / 10000 = \$22,000.00$

$\$22,000 \times 3.20 = \$70,400.00$ (approximate annual revenue to the general fund)

2- Business Fee

Amend the present business license tax ordinance to increase the minimum fee from \$25 to \$100.

Adjustments to the present scale must be made. The City should identify its sales tax base

Requires Council action.

Revenue Impact Example: 350 businesses X \$75.00 = \$26,250.00 increase in revenue

3- **Municipal Tax;**

A local property tax to be levied on all parcels in East Palo Alto.
Allowances for seniors and disable included

Requires Council Action: Measure requires 2/3 council vote to
place on the ballot.

A majority vote by the voters of the city

Revenue Impact: \$300.00 per parcel (suggested tax)
\$300.00 X 4,100 = \$1,230,000.00

4- **Rent Control:**

For the Majority: The removal of rent control, as soon as
practically possible, and substitute an Affordable Housing Policy. *

For the Minority: A positive rent control and affordable
housing policy are fundamental to very foundation of East Palo
Alto. Any action that this City takes with regard to rent control
should be undertaken after due consideration is given as to the
impact that the removal of rent control will have on the entire
city's housing market. *

Requires Council action : Council should seek legal advice from
City Attorney

Revenue Impact *: An estimated \$400,000.00 to 1,200,000.00

* See attached majority and minority opinion reports

5- **Redevelopment:**

Redevelopment Agency to be self-supporting.

Requires Council action

Revenue Impact: Reduced expenses from City general fund
Revenue generated through tax increments; several million
dollars

6- **Recovery of Funds:**

(a) Recovery of funds; all persons arrested and convicted of
possession, sale or use of controlled substances in East Palo
Alto should be fined \$500.00; to be collected by the
County.

(b) " Driving Under the Influence" arrest and conviction
expenses. City can fine for justified police expenses up to
\$1,000.00 involved in the arrest and conviction . Money to
be collected by County.

Requires Council action

Revenue Impact: \$500.00 X 100 convictions monthly = \$50,000.00

7- Non-profit :

- (a) Establish a non-profit agency to seek donations, grants, write proposals and act as a conduit of the City to carry out special city projects.
- (b) Establish a Community Development Corporation (CDC): The city would provide \$100,000 to establish a revolving fund to foster development of commercial business within E.P.A. The CDC to work with the Redevelopment Agency to develop a sales tax base.
- (c) A City/Business partnership be formed similar to the one used by the school district

Requires Council action

Revenue Impact: undetermined revenues

8- Assertive Grantsmanship:

Government grants are to be pursued more aggressively by the City staff

Requires Council action

Revenue Impact: Unable to determine, based on performance

9- County Negotiations:

Negotiate with the County (controllers office) to increase the City's portion of " property tax appropriation" by the County.

Requires Council action

Revenue Impact: East Palo Alto Property Tax : Present value:
\$1,449,101 / 334,000,000 = .03%

	<u>New Rate</u>	<u>Total at new rate</u>	
<u>Revenue Increase</u>			
(a)	+ 0.5%	\$1,673,882.00	\$251,781.00
(b)	+ 0.55%	\$1,841,270.00	\$419,169.00
(c)	+ 0.6%	\$2,008,658.00	\$586,557.00

* SEE ATTACHMENT "C"

10- Storage Bin Usage Tax:

City needs to aggressively pursue collection of storage bin usage fees which went into effect July 1, 1988. These funds once collected, should not be added to the general fund, but could be used to begin to "off-set" the deficit.

Requires Council Action

Revenue Impact: 8% of Gross Receipts of 137,500 X 12 mos. =
\$132,000 *

* based on figures from E.P.A. adopted 88-89 budget

11-Construction Fee:

The City consider a 1% construction fee assessment on the value of new construction

Requires Council Action:

Revenue Impact: This suggestion was not considered in time for it to receive a thorough examination to determine the financial impact. The Council may wish to direct appropriate staff to determine the revenue impact.

MAJORITY

REPORT

RE:

RENT CONTROL

RENT CONTROL STUDY AND RECOMMENDATIONS

RECOMMENDATIONS

IT IS THE RECOMMENDATION OF THIS TASK FORCE THAT RENT CONTROL BE ABOLISHED AND REMOVED FROM EAST PALO ALTO. RENT CONTROL HAS SERIOUS DELETERIOUS ECONOMIC EFFECTS FOR EAST PALO ALTO... EPA CANNOT AFFORD RENT CONTROL. THE INTENT OF RENT CONTROL IS TO PROVIDE AFFORDABLE HOUSING. THIS POLICY IS NOT PROVIDING THAT END RESULT, BUT INSTEAD IS COSTING THE CITY A LOT OF MONEY DIRECTLY AND INDIRECTLY, WHICH IT CANNOT AFFORD, ESPECIALLY NOW, IN A TIME OF FINANCIAL CRISIS WHICH THREATENS ITS CONTINUED EXISTENCE.

THE CITY COUNCIL SHOULD DIRECT THE CITY ATTORNEY TO SETTLE THE RENT CONTROL LAWSUIT AGAINST THE CITY AND SHOULD AGREE TO A STIPULATED JUDGEMENT. THE ALTERNATIVE OF LOSING THE LAWSUIT, WITH A MULTI-MILLION DOLLAR JUDGEMENT, COULD BANKRUPT THE CITY. THE AFFORDABLE HOUSING ISSUE SHOULD BE ADDRESSED BY THE CITY COUNCIL THROUGH A TASK FORCE. THE SUBSEQUENT ADOPTION OF AFFORDABLE HOUSING POLICIES AND A POSSIBLE AFFORDABLE HOUSING ORDINANCES ARE HEREBY RECOMMENDED AS A REPLACEMENT FOR RENT CONTROL.

THE REMOVAL OF RENT CONTROL AND THE COUPLING OF HIGHER ASSESSED PROPERTY VALUES WILL GENERATE CONSIDERABLE HIGHER PROPERTY TAX REVENUES, DIRECTLY. ESTIMATE A \$400,000 TO \$600,000 IF A HIGHER MUNICIPAL DOCUMENTARY TAX RATE OF \$2/\$1000 IS IMPLEMENTED, SIGNIFICANTLY HIGHER DOCUMENTARY TAX REVENUES THAN PRESENTLY COLLECTED, WILL RESULT.

FINALLY, BY DECLARING THE "WEST-OF-BAYSHORE" APARTMENT AREA A SPECIAL REDEVELOPMENT ZONE (EXCLUDING THE UNIVERSITY CIRCLE AREA, ALREADY SO DEFINED), A NEW TAX RATE STRUCTURE COULD BE IMPOSED FOR THE BENEFIT OF THE CITY. SUCH TAX RATE RENEGOTIATION TO ENABLE TAX INCREMENT FINANCING OF INFRASTRUCTURE AND

SERVICES WOULD RESULT IN CONSIDERABLE HIGHER REVENUES. TOTAL ADDITIONAL REVENUES BY ALL THESE EFFECTS COMBINED COULD BE AS MUCH AS \$900,000 WITH A PROBABLE RANGE BETWEEN \$600,000 TO \$1,200,000. SUCH FUNDS COULD BE OBTAINED FOR THE BENEFIT OF THE CITY AND ITS CONTINUED FINANCIAL SURVIVAL WITHOUT THE INITIATION OF A NEW DEVELOPMENT. NEW DEVELOPMENT IS EXPECTED TO FOLLOW WHEN THE EXISTING REAL PROPERTY TAX BASE IS USED EFFICIENTLY.

A. SPECIFIC FINDINGS

A STUDY OF COUNTY TAX ASSESSOR RECORDS FOR THE YEARS 1983 TO 1989 (SEE ASSESSOR'S GENERAL ASSESSMENT SUMMARY FOR SAN MATEO COUNTY CITIES TABLES A1-A5), DURING WHICH RENT CONTROL HAS BEEN IN EFFECT SHOW THAT PROPERTY VALUES UNDER RENT CONTROL HAVE BEEN AFFECTED INDIRECTLY, BUT SUBSTANTIALLY, OVERALL IN EAST PALO ALTO. MULTI-FAMILY RESIDENTIAL APARTMENT COMPLEXES HAVE BEEN AFFECTED SEVERELY AND DIRECTLY SINCE RENT CONTROL CITY ORDINANCE 076 APPLIES TO SUCH PROPERTIES DIRECTLY. TABLE (B) SHOWS THE TOTAL 1983-1984 TAX BASE FOR EPA OF \$235,709,847 HAS RISEN TO \$334,776,356. IT HAS RISEN TO \$334,776,356 FOR THE TAX YEAR 1988-89, ACCORDING TO THE TAX ASSESSOR'S RECORDS. THIS REPRESENTS A 42.03% INCREASE OVER THE LAST FIVE YEARS, AN EQUIVALENT INCREASE OF 7.27% PER YEAR. WHEN THE S.F./OAKLAND METROPOLITAN AREA CONSUMER PRICE INDEX ANNUAL AVERAGE "ALL ITEM" OF 4.37% INFLATION (SEE FIG. 1) IS ACCOUNTED FOR, A NET EFFECTIVE INCREASE OF 2.9% PER YEAR RESULTS, HOWEVER WHEN THE MORE APPROPRIATE "CPI RENT" INFLATION OF 6.31% ANNUAL COVERAGE IS ACCOUNTED FOR THEN EAST PALO ALTO HAS A NEW EFFECTIVE OR TRUE INCREASE OF ONLY 0.96%. THIS COMPARES WITH THE REDWOOD CITY AND MENLO PARK, ADJACENT SAN MATEO CITIES AS FOLLOWS. SEE TABLE (C).

TABLE(C)

1983-88 ALL ITEM CPI 4.37% ANNUAL AVERAGE
 1983-88 RENT CPI 6.31% ANNUAL AVERAGE

5 YEAR PROP. VALUE INCREASE

<u>CITY</u>	<u>1983-1984</u>	<u>TO</u>	<u>1988-1989</u>	<u>EQUIVALENT ANNUAL %</u>	<u>ADJUSTED ANNUAL INCREASE</u>
EPA POPULATION:18,700	\$99,066,509		42.03%	7.27%	2.90% ALL CPI 0.96% RENT CPI
REDWOOD CITY POPULATION:76,700	\$1,425,162		75.68	11.93%	7.56% ALL CPI 5.62% RENT CPI
MENLO PARK POPULATION:32,300	\$806,421,171		58.92%	9.71%	5.34% ALL CPI 3.40% RENT CPI

B. APARTMENT VALUATION

MULTI-FAMILY RESIDENTIAL APARTMENTS UNDER RENT CONTROL HAVE BEEN SERIOUSLY AFFECTED. A TOTAL STAGNATION OF THAT SEGMENT OF THE MUNICIPAL ECONOMY IS APPARENT AND READILY SUPPORTABLE WITH COUNTY TAX ASSESSOR'S RECORDS. TABLE (D) GIVES THE RAW STATISTICS. TABLE (E) SUMMARIZES THE RESULTS FOR EAST PALO ALTO AND COMPARES THEM VERSUS THE ADJACENT SAN MATEO COUNTY CITIES OF MENLO PARK AND REDWOOD CITY.

THE 1983-84 EPA TAX BASE OF \$62,018,185 FOR FOUR-OR-MORE APARTMENT UNITS HAS MOVED UP TO \$80,077,212, AN INCREASE OF ONLY \$18,059,027, FOR 1988-89. THIS REPRESENTS A 29.12% INCREASE FOR A FIVE YEAR PERIOD FOR EAST PALO ALTO. OTHER MID-PENINSULA CITIES HAVE MOVED MUCH MORE SUBSTANTIALLY, THAT IS REDWOOD CITY HAS INCREASED BY 80.84% AND MENLO PARK BY 44.43%. WHEN THE S.F./OAKLAND METROPOLITAN CPI-RENT COMPONENT ANNUAL AVERAGE OF 6.31% IS ACCOUNTED FOR, EPA HAS A NEGATIVE EFFECT, OR "TRUE , PROPERTY VALUE LOSS OF -1.07%, WHILE REDWOOD CITY HAS +6.27% AND MENLO PARK +1.32%. WHEN SUCH COMPARISONS (WITH THE CPI-RENT COMPONENT ARE ACCOUNTED FOR) ARE MADE FOR ALL PENINSULA CITIES, IN BOTH SAN MATEO COUNTY AND SANTA CLARA COUNTY, EAST PALO ALTO WILL BE THE ONLY CITY HAVING A TRUE LOSS IN THE MULTI FAMILY APARTMENT INDUSTRY WITH A VALUATION LOSS EQUIVALENT TO \$664,000, WHILE OTHER CITIES HAVE MULTI-MILLION DOLLAR INCREASES.

TABLE (E)

MULTI-FAMILY 4+ UNITS					INFLATION
CITY	1983-84 TO 1988-89 TAX VALUE INCREASE	1983-84 TO 1988-89 % INCREASE	1988-89 ANN.%	ANNUAL TRUE* INCREASE.%	ADJUSTED ANNUAL CPI-RENT @ 6.31% PROP.VAL. + OR -
EPA	\$18,059,027	29.12%	5.24%	-1.07%	(\$663,959) LOSS
RWC	\$122,242,907	80.84%	12.58%	+6.27%	\$9,481,506 GAIN
MP	\$44,757,660	44.43%	7.63%	+1.32%	\$1,329,617 GAIN
*CPI RENT ADJUSTED					

CONCLUSION: TAX BASE CHANG

AN OBVIOUS CONCLUSION IS THAT EPA MULTI-FAMILY APARTMENTS, AS THEY AFFECT THE TAX BASE VALUES, ARE FALLING BEHIND BAY AREA INFLATION. THE CONCLUSION IS THAT RENT CONTROL AS APPLIED TO MULTI-FAMILY RESIDENTIAL APARTMENTS OF 4+ UNITS IS DELETERIOUS TO THE CITY'S TAX BASE. THAT SUCH A TAX BASE LOSS IS OCCURRING, IS NUMERICALLY EVIDENT AND INESCAPABLE BY THESE FINDINGS. IT IS IMPERATIVE THAT THE CITY COUNCIL REDIRECT ALL THE POLICIES TO REVERSE THE APARTMENT PROPERTY VALUE LOSS AND THEREFORE REVERSE THE TAX BASE LOSS.

C. REVENUE IMPACT OF RENT CONTROL

THE SPECIFIC REVENUE IMPACT OF RENT CONTROL IS CALCULABLE FOR EAST PALO ALTO. RENT CONTROL IN EPA HAS THREE MEASURABLE DIRECT NEGATIVE IMPACTS AS WELL AS A MUCH LARGER INDIRECT NEGATIVE IMPACT UPON THE CITY'S FINANCIAL CONDITION. THE DIRECT FINANCIAL LOSS IMPACT AND ITS POTENTIAL IMPROVEMENT WILL BE SHOWN FIRST THEN, SUBSEQUENTLY, A DISCUSSION OF THE INDIRECT IMPACT WILL BE PRESENTED IN THE SUMMARY SECTION OF THIS REPORT.

1. PROPERTY TAX REVENUE LOSS.

OF THE 112 PARCELS OF RENT CONTROLLED, MULTO-FAMILY RESIDENTIAL APARTMENTS OF SOME 2859 UNITS, \$80,077,212 IS THE 1988-89 ASSESSED VALUE, OR \$28,009 PER UNIT. PRESENTLY EAST PALO ALTO RECEIVES \$1,449,101 ANNUALLY FROM THE 1988-89 TAX BASE OF \$334,776,356 WHICH REPRESENTS A 0.4329% RATIO.

SIMILAR APARTMENT UNITS, IN THE MID-PENINSULA AREA, RANGE IN VALUE FROM \$75,000 TO \$100,000 PER UNIT. ASSUMING A MINIMAL RISE TO \$65,000 PER UNIT DERIVED FROM THE REMOVAL OF RENT CONTROL, AND THE PROVISION OF ADEQUATE MUNICIPAL SERVICES, THE FOLLOWING DIRECT FINANCIAL BENEFITS WOULD GIVE ADDITIONAL "INCREASED TAX REVENUE" TO THE CITY OF EAST PALO ALTO (SEE TABLES H & H1). THIS, OF COURSE ALSO SHOWS THE EQUIVALENT LOSS UNDER RENT CONTROL.

TABLE H1

MULTI-FAMILY PROPERTY TAX REVENUE PRESENT LOSS DUE TO RENT CONTROL , OR POTENTIAL GAIN.

	PRESENT (WITH RENT CONTROL)	FUTURE (WITHOUT RENT CONTROL)		
		MIN.	NOM.	MAX
UNIT PRICE	\$28,009	\$60,000	\$70,000	\$80,000
PROPERTY VALUE				
TAX BASE	\$80,078,336	\$171,540,000	\$200,130,000	\$228,720,000
EPA REVENUE	\$340,204	\$778,687	\$850,135	\$971,583
INCREASED REVENUE TO EPA	-0-	\$388,483	\$509,931	\$631,379

CONCLUSION: REVENUE LOSS

IT IS ESTIMATED THAT A PROBABLE RANGE OF \$300,000 TO \$600,000 ANNUAL LOSS OF REVENUE FOR EAST PALO ALTO IS THE DIRECT RESULT OF RENT CONTROL ON MULTI-FAMILY 4+ UNITS TO EPA. A MOST PROBABLE VALUE OF ABOUT \$500,000 ANNUAL LOSS IN REVENUE TO THE CITY OF EAST PALO ALTO IS EVIDENT DUE TO RENT CONTROL WITH VACANCY CONTROL. THIS CAN BE CORRECTED AND REVERSED BY THE ELIMINATION OF RADICALLY RESTRICTIVE RENT CONTROL. THE PROBABLE TIME TO COMPLETELY REALIZE THE BENEFICIAL EFFECT OF REMOVAL OF RENT CONTROL WOULD BE SEVERAL YEARS. WITH SIGNIFICANT CHANGES BEING EVIDENT BY THE END OF ONE YEAR FROM THE END OF RENT CONTROL.

2. MUNICIPAL REAL PROPERTY DOCUMENTARY SALES TRANSFER TAX LOSS

THE SALE OR TRANSFER ACTIVITY OF MULTI-FAMILY 4+ UNITS RENT-CONTROLLED BY THE CITY, IN THE FIVE YEAR PERIOD IS AS FOLLOWS; AN ESTIMATED 500 UNITS HAVE TURNED OVER; SOME THROUGH FORECLOSURES (eg. 2001 MANHATTAN BILL DAVEY PROPERTY) AND SOME THROUGH OUT RIGHT SALES. THIS REPRESENTS AN AVERAGE OF ABOUT A 3.6% TURN-OVER RATE (HALF OF THIS WAS DUE TO THE SALE IN 1986 OF WEST PARK APARTMENTS, A 221 UNIT COMPLEX). GIVEN FREE MARKET ECONOMICS, THAT IS THE REMOVAL OF RENT CONTROL, THE MULTI FAMILY HOUSING STOCK COULD BE EXPECTED TO TURN OVER IN THREE YEARS. TABLE (F) SUMMARIZES THE DIRECT DOCUMENTARY TRANSFER TAX BENEFITS TO THE CITY, GIVEN THE PRESENT \$0.275/\$500 TRANSFER TAX AND THE ADOPTION BY THE CITY COUNCIL OF THE RECOMMENDET \$2 PER \$1000 MUNICIPAL DOCUMENTARY TRANSFER TAX.

PER TABLE (F) THE PRESENT CONTRIBUTION OF THE APARTMENT SALES TRANSFER TAX IS ESTIMATED TO BE A MERE \$1568 OF THE CITY'S TOTAL OF ONLY \$5,968 COLLECTED BY NOVEMBER 30, 1988. GIVEN THE REMOVAL OF RENT CONTROLS AND THE ENACTMENT OF THE \$2/\$1000 MUNICIPAL TRANSFER TAX AN ESTIMATED \$163,000 COULD BE OBTAINED IN ADDITIONAL REVENUES DUE TO APARTMENT COMPLEX TURN OVER ALONE. A PROBABLE RANGE OF SUCH TAXES IS \$138,000 TO POSSIBLY \$187,000.

D. CONTROL REMOVAL BENEFITS.

THE FOLLOWING SECTION DESCRIBES THE BENEFITS TO EAST PALO ALTO FOR MUNICIPAL REVENUE COLLECTION UPON THE REMOVAL OF RENT CONTROL.

1. PROPERTY TAX INCREASE WITHOUT RENT CONTROL

THE EAST PALO ALTO PROPERTY TAX ON APARTMENT UNITS WOULD INCREASE SUBSTANTIAL-
LY IF RENT CONTROL WERE ELIMINATED AND THE PRESENT AVERAGE ASSESSED VALUE PER
APARTMENT UNIT OF \$28,012 (NOW FROZEN AT THE 1983 LEVEL) WERE BROUGHT TO A
REASONABLE VALUE, RANGING FROM \$60,000 PER UNIT TO \$80,000 PER UNIT. THEN,
RELATIVE TO THE PRESENT TOTAL \$340,204 OF EAST PALO ALTO APARTMENT PROPERTY
TAX COLLECTED ON 2859 RENT-CONTROLLED UNITS, THE FOLLOWING ADDITIONAL PROPERTY
TAXES COULD BE COLLECTED BY THE CITY OF EAST PALO ALTO:

			<u>TIME*</u>
COLLECTABLE PROPERTY TAX INCREASES	\$388,000	MINIMUM	1-3 YEARS
	\$509,931	NOMINAL	3 YEARS
	\$631,379	MAXIMUM	3+ YEARS

*THE TIME COLUMN REPRESENTS THE LONGEST TIME EXPECTED TO OBTAIN TOTAL TAX INCREASE BENEFITS.

IT MUST BE UNDERSTOOD, THAT A SEVERELY RESTRICTIVE RENT CONTROL HAS BEEN IN EFFECT FOR A LONG TIME (FIVE YEARS) AND RENTAL PROPERTY VALUES ARE SEVERELY DEPRESSED. IT WILL TAKE SOME TIME FOR VALUES TO REGENERATE UPON THE COMPLETE REMOVAL OF RENT CONTROLS. THOUGH IMMEDIATE BENEFITS WILL BECOME EVIDENT UPON REMOVAL OF RENT CONTROLS (SAY IN A PERIOD OF ONE YEAR), THE MAJOR BENEFIT TO THE CITY REVENUES WILL BE OF AN INTERMEDIATE TO LONG TERM NATURE.

2. RENEGOTIATED TAX RATE

EAST PALO ALTO CAN OBTAIN ADDITIONAL PROPERTY TAXES BY DECLARING THE WEST OF BAYSHORE APARTMENT AREA A SPECIAL REDEVELOPMENT AREA. ADDITIONAL PROPERTY TAX CAN THEN BE DERIVED FROM APARTMENT BUILDINGS SHOULD THE CITY COUNCIL ACT UPON THE REVENUE COMMITTEE'S RECOMMENDATION TO NEGOTIATE WITH THE COUNTY OF SAN MATEO TAX ASSESSOR, CONTROLLER, AND SUPERVISORS TO RENEGOTIATE THE PRESENT TAX RATIO OF 0.4247%. THIS RATE WHICH EQUALS THE \$1,422,101 EAST PALO ALTO PROPERTY TAXES REVENUE TO THE TOTAL \$334,776,356 PROPERTY ASSESSED VALUATION. IF ADJUSTED TO A NEW RATE, THEN DUE TO APARTMENT PROPERTY VALUE INCREASES WITHOUT RENT CONTROLS, THE FOLLOWING ADDITIONAL REVENUES COULD BE COLLECTED ANNUALLY OVER A PERIOD OF TIME AS PROPERTY VALUES RISE. SEE TABLE (G). IN SUMMARY, RELATIVE TO THE PRESENT TOTAL PROPERTY TAX REVENUE OF ONLY \$340,204, FROM APARTMENT BUILDING ONLY, THE FOLLOWING ADDITIONAL REVENUE COULD BE COLLECTED:

MINIMAL	NOMINAL	MAXIMUM
\$517,496	\$760,511	\$1,032,116

COMBINED EFFECT: PROPERTY VALUE AND TAX RATIO INCREASE

THE PROPERTY TAX INCREASE FROM THE COMBINED EFFECT OF RENT CONTROL REMOVAL AND PROPERTY TAX RATE RENEGOTIATION WOULD YIELD THE FOLLOWING REVENUE INCREASES:

\$517,496	MINIMUM
\$760,511	NOMINAL (MOST LIKELY ESTIMATE)
\$1,032,116	MAXIMUM

3. TOTAL EFFECT ON REVENUE/APARTMENT BUILDINGS

(PRESENT PROPERTY TAX RATE @ 0.42479%)

IF THE PROPERTY TAX RATE WERE LEFT AT ITS PRESENT RATE, THEN THE COMBINED EFFECT OF THE REMOVAL OF RENT CONTROLS AS WELL AS THE ENACTMENT OF THE \$2/\$1000 MUNICIPAL DOCUMENTARY TRANSFER TAX COULD GENERATE THE FOLLOWING TOTAL REVENUE INCREASE, OVER AND ABOVE THOSE THE CITY IS PRESENTLY RECEIVING. SEE TABLE (H), INCREASED PROPERTY TAX AND TRANSFER TAX @ PRESENT RATE FROM APARTMENT BUILDINGS:

MINIMUM	NOMINAL (MOST LIKELY)	MAXIMUM
\$526,925	\$672,672	\$818,419

4. TOTAL EFFECT ON REVENUE/APARTMENT BUILDINGS

(RENEGOTIATED PROPERTY TAX RATES @ 0.5%, 0.55%, AND 0.6%)

IF ADDITIONAL TO THE REMOVAL OF RENT CONTROL AND THE ENACTMENT OF THE \$2/\$1000 MUNICIPAL TRANSFER TAX, THE CITY OF EAST PALO ALTO COULD RENEGOTIATE ITS PROPERTY TAX RATE WITH SAN MATEO COUNTY THEN THE FOLLOWING TOTAL ADDITIONAL TAXES COULD BE COLLECTED*. SEE TABLE (G).

	MINIMUM	NOMINAL	MAXIMUM
CITY PROP. TAX RATE:	0.5%	0.55%	0.6%
TOTAL ADDITIONAL PROP. AND TRANSFER TAX:	\$655,938	\$923,252 MOST LIKELY EST.	\$1,219,156

*THIS MAY REQUIRE THE DECLARATION OF A SPECIAL REDEVELOPMENT AREA ON THE WEST SIDE WHERE MOST APARTMENT UNIT ARE LOCATED.

E. REAL ESTATE DEVELOPMENT

THIS SECTION IS INCLUDED BECAUSE OF THE LINKAGE BETWEEN THE CITY'S ABILITY TO COLLECT PROPERTY TAXES FROM THE EXISTING TAX BASE AND ITS ABILITY TO FUND INFRASTRUCTURE DEVELOPMENT FOR NEW DEVELOPMENT PROJECTS FROM WHICH WILL DEVELOPE LARGE SCALE, LONG-TERM BENEFITS. THE REMOVAL OF RENT CONTROL WOULD HAVE A SALUTARY AND SYNERGISTIC (EVERYTHING ADDS TOGETHER AND REINFORCES THE WHOLE) EFFECT UPON DEVELOPMENT. THE ABOLITION OF RENT CONTROL WOULD INCREASE THE CITY'S LIKELY-HOOD OF BECOMING BONDABLE SUCH THAT BONDS FOR INFRASTRUCTURE DEVELOPMENT COULD BE SOLD. DEPENDING UPON WHICH OF THE FOLLOWING PROJECTS ARE DEVELOPED, THE CITY UNDER PRESENT PROPERTY TAX RATE WOULD GAIN FROM \$1,699,165 TO \$2,591,227 , DUE TO PROPERTY TAX INCREMENTATION CONCEPT FOR SPECIFIC REDEVELOPMENT AREAS. IF ALL THREE LARGE PROJECTS UNDER STUDY, ARE COMPLETED, THE TOTAL ESTIMATED TAX BASE FOR EAST PALO ALTO WOULD BE INCREASED BY ABOUT \$600,000,000, WHICH IS NEARLY TWICE ITS PRESENT TOTAL TAX BASE, FOR A TOTAL NEW TAX BASE OF NEARLY \$100,000,000.

(STUDY INITIATED)	UNIVERSITY CIRCLE	\$400,000,000
(IN DISCUSSION)	RAVENSWOOD INDUSTRIAL PARK	\$100,000,000
(IN DISCUSSION)	BAYSHORE INDUSTRIAL PARK	<u>\$110,000,000</u>
		\$610,000,000

IF DEVELOPMENT OCCURS UNDER A TAX INCREMENT FINANCING CONCEPT AND THESE PROPERTIES ARE TAXED AT A RENEGOTIATED PROPERTY TAX PROPORTIONAL RATE RANGING FROM 0.5% TO 0.6%,THE CITY COULD EXPECT TO COLLECT THE FOLLOWING NEW DEVELOPMENT PROPERTY TAX REVENUES. SEE TABLE (K).

	MINIMUM	NOMINAL	MAXIMUM
CITY PROP. TAX RATE:	0.5%	0.55%	0.6%
NEW DEVELOPMENT PROPERTY TAXES:	\$3,050,000	\$3,355,000	\$3,660,000

RENT CONTROL TOTALLY JEOPARDIZES THE PROBABILITY OF SUCH DEVELOPMENTS BEING INITIATED AND COMING TO FRUITION SINCE THE CITY IS SEVERELY FINANCIALLY STRAPPED AT PRESENT. THIS IS THE CASE BECAUSE THE RADICALLY RESTRICTIVE FORM OF RENT CONTROL WITH VACANCY CONTROL WHICH HAS BEEN CITY POLICY OVER THE PAST FIVE YEARS, HAS DISABLED A GOOD PORTION OF ITS OLD TAX BASE. CONSEQUENTLY, REVENUES FROM THE NEW DEVELOPMENT TAX BASE CANNOT BE EXPECTED TO FLOW.

CONCLUSION AND RECOMMENDATION: NEW DEVELOPMENT

THE COLLATERAL DAMAGE EFFECT OF RENT CONTROL ON CITY REVENUES WILL CONTINUE TO PREVENT NEW DEVELOPMENT FROM TAKING ROOT IN EAST PALO ALTO UNTIL A SUBSTANTIAL REVERSAL OF RENT CONTROL POLICY IS INITIATED BY THE CITY COUNCIL AND CITIZENS OF EAST PALO ALTO. THE CONCEPT OF OLD TAX BASE REVENUE LINKAGE TO NEW DEVELOPMENT TAX BASE DERIVATIVE IS FUNDAMENTAL. UNLESS THIS UNDERSTANDING IS DIRECTLY TRANSLATED INTO POLICY DECISIONS AND COUNCIL ACTION, IT IS DUBIOUS THAT SIGNIFICANT NEW DEVELOPMENT CAN COME TO THE CITY OF EPA IN TIME TO RESCUE IT FROM FINANCIAL COLLAPSE, LET ALONE LONG TERM BENEFITS. IT IS IMPERATIVE THAT THE CITY COUNCIL ACT IMMEDIATELY TO BRING ABOUT THIS CONDITION:

THE REMOVAL OF RENT CONTROL FROM EAST PALO ALTO AS SOON AS PRACTICALLY POSSIBLE.

SUMMARY: REMOVAL OF RENT CONTROL

THE MUNICIPALITY OF EAST PALO ALTO CANNOT AFFORD RENT CONTROL. IT SHOULD BE ELIMINATED AS SOON AS PRACTICALLY POSSIBLE. RENT CONTROL IN EAST PALO ALTO IS BOTH TOO COSTLY IN TERM OF MUNICIPAL REVENUE LOSSES FROM REAL PROPERTY TAXES AS WELL AS LOW MUNICIPAL DOCUMENTARY TRANSFER TAX REVENUES. RENT CONTROL IS A DEMONSTRABLY INEFFECTIVE AND COUNTER PRODUCTIVE HOUSING POLICY IN EAST PALO ALTO. THE PROFOUND DIRECT ECONOMIC CONSEQUENCES OF CITY GOVERNMENT RENT CONTROL INTERVENTION IN THE CITIES HOUSING MARKET HAS BEEN ANALYTICALLY DOCUMENTED IN THIS STUDY WITH RESOURCE DATA OBTAINED FROM THE SAN MATEO COUNTY TAX ASSESSOR'S OFFICE FOR THE YEARS 1983-1984 THROUGH 1988-1989. THE PROPERTY TAX, BASED UPON PROPERTY ASSESSED VALUATION HAS BEEN ANALYZED FOR EAST PALO ALTO AS A WHOLE, AND ITS TAX BASE INCREASED COMPARED RELATIVE TO NEIGHBORING CITIES.WHEN SUCH COMPARISONS ARE MADE OVER THE FIVE YEAR PERIOD SINCE INCORPORATION IN 1983. EAST PALO ALTO HAD A TOTAL PROPERTY TAX BASE VALUE INCREASE OF 42.03% OVER FIVE YEARS, OR A 7.27% AVERAGE ANNUAL INCREASE. THIS COMPARES TO REDWOOD CITY WHICH HAS HAD AN INCREASE OF 75.68% OVER FIVE YEARS, OR A 11.93% AVERAGE ANNUAL INCREASE, AND TO MENLO PARK AT 58.9% OVER FIVE YEARS OR 9.71% ANNUALLY.

INFLATION ADJUSTED RESULTS

WHEN, HOWEVER, THE ANNUAL AVERAGE INCREASE IS ADJUSTED FOR INFLATION: AN FRANCISCO/OAKLAND METROPOLITAN AREA "ALL-ITEM" CPI OF 4.37%, THEN THE AVERAGE INCREASE FOR ALL REAL PROPERTY FOR THE THREE CITIES COMPARES AS FOLLOWS:

EAST PALO ALTO	2.9%
MENLO PARK	5.34%
REDWOOD CITY	7.56%

APARTMENT BUILDING TAX BASE CONTRIBUTION

WITH THIS BACKGROUND, THE RENT CONTROLLED EAST PALO ALTO APARTMENT PROPERTY VALUATION OF 4 OR MORE UNITS OF SOME 112 PARCELS AND 2859 APARTMENT UNITS WAS TABULATED.

A FIVE YEAR INCREASE IN VALUATION OF 29.12% WAS OBTAINED OR EQUIVALENTLY 5.24% PER YEAR. WHEN THIS INCREASE IS ADJUSTED FOR THE CONSUMER PRICE INDEX, "ALL ITEM" INCREASE OF 4.37% THEN A PROPERTY VALUE INCREASE OF ONLY 0.87% ANNUAL RESULTS. FURTHER, WHEN THE BAY AREA CPI-RENT COMPONENT OF 6.31% IS APPLIED, THEN THE PROPERTY VALUES RELATIVE TO THIS MEASURE ARE SEEM TO BE DECLINING BY 1.07%. HENCE, PROPERTY VALUES OF MULTI-FAMILY APARTMENTS IN EAST PALO ALTO ARE FALLING BEHIND THE BAY AREA NORM. IT CAN BE SAID THAT APARTMENT PROPERTY VALUATION IS IN A RELATIVE STATE OF DECLINE AS IS CORROBORATED BY A CASUAL INSPECTION OF THE PHYSICAL PLANT. ACCOUNTING FOR INFLATION, THE EFFECT IS A DECREASING TAX BASE CONTRIBUTION, FROM MULTI-TENANT BUILDINGS OF FOUR OR MORE UNITS WHICH ARE UNDER RENT CONTROL OF A SEVERELY RESTRICTIVE KIND, i.e. "BERKELEY-STYLE" RENT CONTROL WITH VACANCY CONTROL.

RENT CONTROL POLICY GOALS VS. PERFORMANCE

THE STATED GOAL FOR THE JUSTIFICATION OF THE IMPOSITION OF RENT CONTROL IN EAST PALO ALTO, HAS BEEN THE PRESERVATION OF AFFORDABLE HOUSING FOR THE LOW AND MIDDLE INCOME FAMILIES. WHERE AS THE RENTS ARE DEPRESSED IN EAST PALO ALTO. THIS IS MOSTLY DUE TO THE DETERIORATION OF THE EXISTING HOUSING STOCK CAUSED BY DEFERRED MAINTENANCE AND TO THE GENERALLY DEPRESSED STATE OF THE PHYSICAL PLANT OF THE CITY, AS WELL AS THE LOW, TO NON-EXISTENT DELIVERY OF MUNICIPAL SERVICES BY THE CITY. THIS IN TURN IS OCCASIONED BY THE CITY'S LOW LEVEL OF FUNDING BROUGHT ON BY ITS DIMINUTIVE TAX BASE.

RENT CONTROL EXACERBATES THIS PROBLEM IN A VICIOUS DEGENERATIVE CYCLE. UNLESS THE CITY COUNCIL TAKES AGGRESSIVE ACTIONS TO REVERSE THESE EFFECTS AND INITIATE THE REMOVAL OF STRINGENT RENT CONTROL, THE CITY'S PRESENT FINANCIAL CRISIS WILL ESCALATE INTO COMPLETE FINANCIAL FAILURE AND BANKRUPTCY. THIS IS PREDICTABLE BECAUSE OF THE LINKAGE OF THE TAX BASE OF EXISTING PROPERTY TO THAT OF PROJECTED, BUT AS YET UNREALIZED, NEW DEVELOPMENT. CONVERSELY THE SYNERGISTIC EFFECT OF THE RELEASE FROM RENT CONTROL CAN STIMULATE THE TAX BASE, DIRECTLY, BY ENHANCING PROPERTY VALUES AND INCREASING TRANSFER TAX REVENUES DUE TO SALES OF PROPERTIES. EXAMINATION OF SALES AND TRANSFER RECORDS SHOW THAT SUCH SALES HAVE COME TO A VIRTUAL HALT FOR ALMOST ALL RENT REGULATED PROPERTY IN EAST PALO ALTO PRESENTLY. CITY POLICY UNDER RESTRICTIVE RENT CONTROL HAS BEEN TO TREAT PRIVATELY-OWNED, OPERATED AND PREVIOUSLY DEVELOPED RENTAL HOUSING PROPERTY AS A "MUNICIPAL PUBLIC UTILITY". IN THE LONG RUN, THIS STUDY HAS SHOWN BY NUMERICAL ANALYSIS AND PROPERTY VALUE TRENDS, OBTAINED FROM THE COUNTY ASSESSOR'S OFFICE THAT NOT ONLY DOES THIS HARM THE HOUSING PROVIDERS, (ie, APARTMENT PROPERTY OWNERS), BUT THE CONSUMERS THEY INTEND TO SERVE. FURTHER MORE, THE CITY'S FINANCIAL CASH FLOW AND LONG-TERM FINANCIAL POSITION (AS WELL AS THE GENERAL POPULACE OF THE CITY, INCLUDING TENANTS, HOMEOWNERS, AND BUSINESS AND PROPERTY OWNERS) IS CRITICALLY AFFECTED . HENCE THE RECOMMENDATION OF;THE REMOVAL . RATHER THAN AMELIORATION (REDUCTION IN SCOPE AND EFFECT) OF RENT CONTROL WITH VACANCY CONTROL.

HARM CAUSED BY RENT CONTROL

THE FOLLOWING CAN BE SUMMARIZED ABOUT THE DELETERIOUS EFFECT OF RENT CONTROL WITH VACANCY CONTROL IN EAST PALO ALTO.

1. PROPERTY TAX BASE STAGNATION

A. RENT CONTROL WITH VACANCY CONTROL HAS CAUSED THE STAGNATION OF APARTMENT PROPERTY CONTRIBUTION TO THE CITY'S PROPERTY TAX BASE AT BEST, AND A NEGATIVE INCREASE (DECLINE) IN VALUE AFTER CPI-RENT COMPONENT, INFLATION ADJUSTED AVERAGE, IS ACCOUNTED FOR.

B. ADVERSE EFFECT ON DOCUMENTARY TRANSFER TAX.

A DIMINUTION OF THE TRANSFER TAX HAS OCCURRED SINCE NO SIGNIFICANT APARTMENT HOUSE SALES ARE OCCURRING UNDER RENT CONTROL WITH VACANCY CONTROL.

2. FINANCIAL HARM TO PROVIDERS

A. RENT CONTROL IN EAST PALO ALTO DOES NOT COMPENSATE PROVIDERS OF EXISTING HOUSING UNITS FOR THE COST OF PROVIDING SHELTER TO CONSUMERS, SINCE IT DOES NOT PROVIDE A "FAIR RETURN OF INVESTMENT."

B. SUCH PROVIDERS WOULD BE MARKEDLY BETTER-OFF IN OTHER ADJACENT CITIES (eg, MENLO PARK AND REDWOOD CITY) AND ANY OTHER LOCATION ON THE PENINSULA. TESTIMONY FROM AFFECTED APARTMENT PROPERTY OWNERS IS AMPLY AVAILABLE.

3. INHIBITION OF NEW CONSTRUCTION

EPA DOES NOT PROVIDE THE ECONOMIC INCENTIVE TO ATTRACT NEW INVESTMENT IN RENTAL HOUSING AS WELL AS TO MAINTAIN THE EXISTING APARTMENT STOCK. LESS THAN 1% OF NEW RENTAL HOUSING HAS BEEN BUILT OVER FIVE YEARS IN EAST PALO ALTO. THIS AMOUNTS TO LESS THAN 25 UNITS. NOTORIOUSLY, ONE ENTIRE APARTMENT COMPLEX OF 62 UNITS HAS BEEN REMOVED FROM THE MARKET, DUE TO DRUG AND CRIME RELATED TENANCY (ie 2001 MANHATTAN, WHERE A MULTI-ORGANIZATION POLICE AND SHERIFF TASK FORCE WAS REQUIRED TO SHUT DOWN THE BUILDING). WHILE EVICTION OF TENANTS UNDER RENT CONTROL ORDINANCE 076 IS PROVIDED, IN PRACTICE, IT WAS NOT APPLIED BECAUSE OF THE "GOOD CAUSE" FOR EVICTION, SECTION 13, AND THE CRIMINAL PENALTIES, SECTION 19).

4. ADVERSE EFFECT ON SINGLE FAMILY RESIDENCE VALUES

ALTHOUGH RENT CONTROL DOES NOT APPLY TO ALL PROPERTIES DIRECTLY, IT HAS THE COLLATERAL EFFECT OF DEPRESSING REAL ESTATE HOUSING PRICES IN GENERAL, INCLUDING SINGLE FAMILY HOUSING.

5. ADVERSE EFFECT ON ALL DEVELOPMENT

IT HAS THE COLLATERAL EFFECT OF NOT PERMITTING REAL ESTATE DEVELOPMENT OF ANY KIND SINCE THE INFRASTRUCTURE DEVELOPMENT IS INADEQUATE AND THE ABILITY OF THE CITY TO SELL BONDS IS NON-EXISTENT.

6. MUNICIPAL FINANCIAL CRISIS

RENT CONTROL HAS LARGELY CONTRIBUTED TO BRINGING ABOUT THE FINANCIAL CASH FLOW CRISIS THE CITY OF EAST PALO ALTO PRESENTLY FINDS ITSELF IN.

7. CLIMATE OF POLITICAL INSTABILITY

RENT CONTROL HAS BEEN THE SINGLE MOST DIVISIVE POLITICAL ISSUE SINCE THE CITY WAS INCORPORATED. ITS IRRESOLUTION LIES AT THE HEART FOR THE LACK OF PROGRESS IN EAST PALO ALTO, TOWARD THE FORMATION OF A VIABLE, FINANCIALLY SOUND, AND FUNCTIONING MUNICIPALITY.

8. INFLUX OF CRIME INTO THE COMMUNITY

UNDER A SEVERELY RESTRICTIVE RENT CONTROL ORDINANCE (076), WITH VACANCY CONTROL, AN INFLUX OF PEOPLE OF LESSER MEANS FROM OTHER BAY AREA CITIES HAS OCCURRED. THEREFORE, EAST PALO ALTO, A CITY KNOWN FOR ITS POVERTY, HAS BEEN DRIVEN INTO A STILL LESSER FINANCIAL POSITION. THE NOTORIOUS INFLUX OF CRIME AND DRUG RELATED ACTIVITY CAN BE LINKED TO THE RENT CONTROL ENVIRONMENT.

9. ADVERSE EFFECT ON HOUSING SUPPLY

RENT CONTROL IN EAST PALO ALTO HAS HAD THE PERVERSE CONSEQUENCE OF REDUCING, RATHER THAN EXPANDING, THE SUPPLY OF MULTI-FAMILY HOUSING, IN A TIME OF ACKNOWLEDGED SHORTAGE.

10. ADVERSE EFFECT ON PROPERTY TAX INCREASES

RENT CONTROL WITH VACANCY CONTROL HAS PREVENTED THE CITY FROM A PROPERTY TAX INCREASE OVER 1983 VALUES OF SOME ESTIMATED \$500,000 ANNUAL. THIS ESTIMATE HAS A PROBABLE RANGE OF \$388,000 TO \$631,000 BASED UPON PRESENT APPORTIONED PROPERTY TAX RATE OF THE TOTAL TAX RATE AS COLLECTED BY THE COUNTY. SEE TABLE (H). AN ESTIMATED \$1,100,000 ANNUAL PROPERTY TAX INCREASE WOULD RESULT FROM APARTMENTS ALONE WITH A PROBABLE RANGE OF \$517,496 TO \$1,032,116 AT A HIGHER PROPORTIONATE TAX RATE, IF SAME WERE RENEGOTIATED WITH THE COUNTY OF SAN MATEO. SEE TABLE (G). THIS WOULD REQUIRE THAT THE ENTIRE CITY BE DECLARED A REDEVELOPMENT ZONE, SHOULD IT NOT ALREADY BE SO DECLARED. ADDITIONALLY, A REDEVELOPMENT AGENCY WOULD NEED TO BE ACTIVATED.

11. DIRECT RENT CONTROL TOTAL REVENUE-LOSS EFFECT

THE ADVERSE EFFECT ON TOTAL REVENUES FROM PROPERTY UNDER RENT CONTROL DUE TO LOW PROPERTY TAX AND LACK OF SALES (TRANSFER TAX), AS WELL AS INAPPROPRIATE TAX RATE IS RESPONSIBLE FOR A BEST ESTIMATE LOSS OF \$923,252, WITH A PROBABLE RANGE OF \$655,938 TO \$1,219,156.
SEE TABLE (I).

12. INDIRECT REVENUE LOSS EFFECT

DUE TO THE CITY'S NEAR INSOLVENCY, DUE TO A DEGREE TO FISCAL MISMANAGEMENT COUPLED WITH A RENT CONTROL ENVIRONMENT THE DEVELOPMENT OF THREE LARGE PROJECTS FOR A TOTAL OF \$610,000,00 (UNIVERSITY CIRCLE @ \$400,000,000, RAVENSWOOD INDUSTRIAL PARK @ \$100,000,000, AND BAYLANDS INDUSTRIAL PARK @ \$110,000,000) LIES IN DOUBT. THE POTENTIAL LOSS OF REVENUE DUE TO PROPERTY TAX ALONE CAN BE ESTIMATED TO BE BETWEEN \$1,699,000 AND \$2,591,000 DEPENDING UPON, WHETHER ONLY ONE, OR ALL THREE PROJECTS ARE DEVELOPED UNDER CURRENT PROPORTIONAL TAX RATE OF 0.42% FOR REAL PROPERTY, UNDER SUITABLY RENEGOTIATED RATES THESE ESTIMATES COULD RANGE FROM \$3,050,000 TO \$3,660,000 WITH A PROBABLE VALUE OF \$3,355,000.

CONCLUSION

IT IS HEREBY UNEQUIVOCALLY CONCLUDED AND RECOMMENDED BY THE MAJORITY

(_____ OUT OF _____) OPINION OF MEMBERS OF THIS TASK FORCE THAT THE RENT CONTROL BE ELIMINATED AND REMOVED FROM THE MUNICIPALITY OF EAST PALO ALTO FORTHWITH AS SOON AS PRACTICALLY POSSIBLE.

- David A. Self, Douglas Y. Dang, et. al.; Joseph S. Horwath & Anthony E. Horwath, et. al.,; Plaintiff, VS. City of East Palo Alto, Superior Court, County of San Mateo, Case NO. 315151, Filed January 28, 1987.
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GENERAL ASSESSMENT SUMMARY

SAN MATEO COUNTY CALIFORNIA
ROLAND E. GIANNINI ASSESSOR

A-1
THIS SUMMARY SHOWS
IMPACT OF UNINCORPORATED
FIGURES TO BRISBANE AND
EAST PALO ALTO.

COMBINED SECURED & UNSECURED ROLL

CITIES		LAND	IMPRS.	PER. PROP.	GROSS TOTAL	EXEMPTIONS BEFORE HOMEOWNERS	19 84-85 NET TOTAL	19 83-84 NET TOTAL	% INCREASE OR (DECREASE)	(LOSS) OR GAIN	
1.	ATHERTON	1	302,829,574	335,168,515	4,333,156	642,331,245	25,745,856	616,585,389	559,733,809	10.16	56,851,580
2.	BELMONT	3	313,631,032	610,016,399	21,099,730	944,747,161	24,315,188	920,431,973	861,019,841	6.90	59,412,132
3.	BRISBANE	18	124,263,944	150,391,956	43,835,805	318,491,705	22,193,652	296,298,053	122,127,283	* 142.61	174,170,770
4.	BURLINGAME	4	530,357,219	913,525,959	112,525,561	1,556,408,739	29,755,367	1,526,653,372	1,384,901,107	10.24	141,752,265
5.	COLMA	7	50,955,797	46,978,976	8,225,061	106,159,834	42,634,452	63,525,382	61,479,445	3.33	2,045,937
6.	DALY CITY	5	525,166,740	1,267,345,556	57,709,628	1,850,221,924	78,298,963	1,771,922,961	1,649,392,799	7.43	122,530,162
7.	EAST PALO ALTO	(21)	80,212,142	176,263,742	11,949,459	268,425,343	6,644,620	261,780,723	-	** 8.81	261,780,723
8.	FOSTER CITY	20	395,117,437	724,977,998	29,659,765	1,149,755,200	2,370,744	1,147,384,456	1,035,016,792	10.86	112,367,664
9.	HALF MOON BAY	17	92,943,852	170,127,358	7,907,961	270,979,171	1,906,008	269,073,163	251,324,550	7.06	17,748,613
10.	HILLSBOROUGH	6	442,589,393	633,708,138	2,465,460	1,078,762,991	4,429,853	1,074,333,138	990,568,510	8.46	83,764,628
11.	MENLO PARK	(8)	564,778,417	979,264,072	162,026,448	1,706,068,937	38,746,960	1,667,321,977	1,478,026,910	12.81	189,295,067
12.	MILLBRAE	14	243,098,894	486,650,302	16,727,625	746,476,821	4,368,133	742,108,688	702,025,118	5.71	40,083,570
13.	PACIFICA	16	278,686,739	572,575,275	11,181,579	862,443,593	8,326,476	854,117,117	787,926,762	8.40	66,190,355
14.	PORTOLA VALLEY	19	121,354,308	187,368,650	2,485,050	311,208,008	14,804,132	296,403,876	272,872,839	8.62	23,531,037
15.	REDWOOD CITY	(9)	798,121,676	1,287,948,319	153,668,934	2,239,738,929	74,200,126	2,165,538,803	1,954,906,763	10.77	210,632,040
16.	SAN BRUNO	10	354,375,758	772,715,581	45,416,739	1,172,508,078	6,357,025	1,166,151,053	1,050,944,466	10.96	115,206,587
17.	SAN CARLOS	11	422,513,125	793,794,540	89,046,680	1,305,354,345	9,767,951	1,295,586,394	1,237,309,106	4.71	58,277,288
18.	SAN MATEO	12	1,105,270,026	2,320,800,146	190,278,519	3,616,348,691	95,807,816	3,520,540,875	3,280,286,470	7.32	240,254,405
19.	SO. SAN FRANCISCO	13	633,432,573	1,380,975,195	324,823,528	2,339,231,296	46,087,469	2,293,143,827	2,151,308,335	6.59	141,835,492
20.	WOODSIDE	15	198,600,177	259,159,644	2,141,595	459,901,416	934,886	458,966,530	419,735,878	9.35	39,230,652
TOTAL CITIES			7,578,298,823	14,069,756,321	1,297,508,283	22,945,563,427	537,695,677	22,407,867,750	20,250,906,783	10.65	2,156,960,967

TOTAL UNINCORPORATED	911,348,428	1,712,448,499	1,165,563,980	3,789,360,907	245,403,863	3,543,957,044	3,729,482,166	*** (4.97)	(185,525,122)
TOTAL ROLL	8,489,647,251	15,782,204,820	2,463,072,263	26,734,924,334	783,099,540	25,951,824,794	23,980,388,949	8.22	1,971,435,845

- * BRISBANE - Figures and % increase reflect annexation of former unincorporated areas.
- ** EAST PALO ALTO - % increase from former unincorporated area.
- *** UNINCORPORATED - Figures and % decrease reveal impact of Brisbane and East Palo Alto.

GENERAL ASSESSMENT SUMMARY

SAN MATEO COUNTY CALIFORNIA
ROLAND E. GIANNINI ASSESSOR

COMBINED SECURED & UNSECURED ROLL

A-2

CITIES		LAND	IMPRS.	PER. PROP.	GROSS TOTAL	EXEMPTIONS BEFORE HOMEOWNERS	19 85-86 NET TOTAL	19 84-85 NET TOTAL	% INCREASE OR (DECREASE)	(LOSS) OR GAIN	
1.	ATHERTON	1	325,956,918	369,096,745	4,483,643	699,537,306	28,149,946	671,387,360	616,585,389	8.89	54,801,971
2.	BELMONT	3	335,784,649	649,196,787	25,810,589	1,010,792,025	25,638,310	985,153,715	920,431,973	7.03	64,721,742
3.	BRISBANE	18	134,157,831	162,758,077	55,154,003	352,069,911	301,872	351,768,039	296,298,053	18.72	55,469,986
4.	BURLINGAME	4	614,042,390	1,042,262,441	120,429,968	1,776,734,799	74,266,430	1,702,468,369	1,526,653,372	11.52	175,814,997
5.	COLMA	7	56,594,840	52,766,509	8,067,806	117,429,155	43,890,987	73,538,168	63,525,382	15.76	10,012,786
6.	DALY CITY	5	583,017,088	1,334,402,239	67,484,296	1,984,903,623	85,656,999	1,899,246,624	1,771,922,961	7.19	127,323,663
7.	EAST PALO ALTO	21	84,903,723	186,977,211	9,037,580	280,918,514	7,300,599	273,617,915	261,780,723	4.52	11,837,192
8.	FOSTER CITY	20	428,548,710	807,503,654	40,612,316	1,276,664,680	3,168,190	1,273,496,490	1,147,384,456	10.99	126,112,034
9.	HALF MOON BAY	17	114,554,087	193,882,105	8,474,205	316,910,397	2,495,820	314,414,577	269,073,163	16.85	45,341,414
10.	HILLSBOROUGH	6	480,911,293	672,222,548	2,295,151	1,155,428,992	4,528,515	1,150,900,477	1,074,333,138	7.13	76,567,339
11.	MENLO PARK	8	605,347,963	1,066,751,760	193,199,142	1,865,298,865	40,732,192	1,824,566,673	1,667,321,977	9.43	157,244,696
12.	MILLBRAE	14	267,821,189	526,909,795	18,575,883	813,306,867	5,179,555	808,127,312	742,108,688	8.90	66,018,624
13.	PACIFICA	16	303,128,354	608,577,885	12,016,098	923,722,337	8,719,801	915,002,536	854,117,117	7.13	60,885,419
14.	PORTOLA VALLEY	19	143,431,452	205,954,699	2,704,094	352,090,245	15,082,546	337,007,699	296,403,876	13.70	40,603,823
15.	REDWOOD CITY	9	886,237,966	1,439,255,754	163,286,722	2,488,780,442	76,805,623	2,411,974,819	2,165,538,803	11.38	246,436,016
16.	SAN BRUNO	10	398,668,725	831,466,373	48,802,580	1,278,937,678	8,345,660	1,270,592,018	1,166,151,053	8.96	104,440,965
17.	SAN CARLOS	11	456,660,387	874,260,148	96,508,807	1,427,429,342	10,606,153	1,416,823,189	1,295,586,394	9.36	121,236,795
18.	SAN MATEO	12	1,222,843,673	2,522,900,427	222,017,357	3,967,761,457	99,415,185	3,868,346,272	3,520,540,875	9.88	347,805,397
19.	SO. SAN FRANCISCO	13	718,777,085	1,486,494,412	392,356,004	2,597,627,501	49,050,751	2,548,576,750	2,293,143,827	11.14	255,432,923
20.	WOODSIDE	15	220,634,457	281,261,250	2,274,114	504,169,821	1,031,228	503,138,593	458,966,530	9.62	44,172,063
TOTAL CITIES			8,382,022,780	15,314,900,819	1,493,590,358	25,190,513,957	590,366,362	24,600,147,595	22,407,867,750	9.78	2,192,279,845

TOTAL UNINCORPORATED	971,880,946	1,839,044,712	1,353,056,047	4,163,981,705	260,397,746	3,903,583,959	3,543,957,044	10.15	359,626,915
TOTAL ROLL	9,353,903,726	17,153,945,531	2,846,646,405	29,354,495,662	850,764,108	28,503,731,554	25,951,824,794	9.83	2,551,906,760

GENERAL ASSESSMENT SUMMARY

SAN MATEO COUNTY CALIFORNIA
ROLAND E. GIANNINI ASSESSOR

COMBINED SECURED & UNSECURED ROLL

CITIES			LAND	IMPRS.	PER PROP	GROSS TOTAL	EXEMPTIONS BEFORE HOMEOWNERS	19 86-87 NET TOTAL	1985-86 NET TOTAL	% INCREASE OR (DECREASE)	(LOSS) OR GAIN
1.	ATHERTON	1	359,982,536	406,641,966	4,573,949	771,198,451	28,741,348	742,457,103	671,387,360	10.59	71,069,743
2.	BELMONT	3	360,450,812	714,702,878	29,435,975	1,104,589,665	25,998,326	1,078,591,339	985,153,715	9.48	93,437,624
3.	BRISBANE	18	126,149,923	177,788,882	60,935,049	364,873,854	431,347	364,442,507	351,768,039	3.60	12,674,468
4.	BURLINGAME	4	645,295,377	1,168,890,938	122,132,276	1,936,318,591	42,107,211	1,894,211,380	1,702,468,369	11.26	191,743,011
5.	COLMA	7	72,665,679	54,823,622	7,909,278	135,398,579	45,758,159	89,640,420	73,538,168	21.90	16,102,252
6.	DALY CITY	5	640,240,592	1,421,895,658	69,785,396	2,131,921,646	88,223,720	2,043,697,926	1,899,246,624	7.61	144,451,302
7.	EAST PALO ALTO	21	93,697,433	203,017,012	9,758,775	306,473,220	6,827,798	299,645,422	273,617,915	9.51	26,027,507
8.	FOSTER CITY	20	509,149,234	951,700,681	42,848,567	1,503,698,482	3,483,947	1,500,214,535	1,273,496,490	17.80	226,718,045
9.	HALF MOON BAY	17	131,395,999	216,463,399	10,475,356	358,334,754	2,587,203	355,747,551	314,414,577	13.15	41,332,974
10.	HILLSBOROUGH	6	522,848,485	736,275,447	2,296,311	1,261,420,243	4,568,505	1,256,851,738	1,150,900,477	9.21	105,951,261
11.	MENLO PARK	8	674,254,479	1,177,628,795	196,318,873	2,048,202,147	40,721,483	2,007,480,664	1,824,566,673	10.03	182,913,991
12.	MILLBRAE	14	285,456,016	561,636,317	18,946,167	866,038,500	5,380,599	860,657,901	808,127,312	6.50	52,530,589
13.	PACIFICA	16	328,839,951	660,636,871	11,755,071	1,001,231,893	9,058,681	992,173,212	915,002,536	8.43	77,170,676
14.	PORTOLA VALLEY	19	163,071,859	229,329,854	3,078,028	395,479,741	15,979,776	379,499,965	337,007,699	12.61	42,492,266
15.	REDWOOD CITY	9	1,012,229,838	1,635,488,414	172,547,989	2,820,266,241	87,148,181	2,733,118,060	2,411,974,819	13.31	321,143,241
16.	SAN BRUNO	10	429,142,456	904,333,764	47,237,436	1,380,713,656	7,852,888	1,372,860,768	1,270,592,018	8.05	102,268,750
17.	SAN CARLOS	11	488,705,874	929,261,654	90,035,387	1,508,002,915	8,749,537	1,499,253,378	1,416,823,189	5.82	82,430,189
18.	SAN MATEO	12	1,319,249,412	2,781,798,186	236,207,955	4,337,255,553	102,333,962	4,234,921,591	3,868,346,272	9.48	366,575,319
19.	SO. SAN FRANCISCO	13	803,156,233	1,635,634,494	417,810,453	2,856,601,180	65,038,570	2,791,562,610	2,548,576,750	9.53	242,985,860
20.	WOODSIDE	15	239,187,944	309,342,471	2,838,613	551,369,028	1,050,735	550,318,293	503,138,593	9.38	47,179,700
TOTAL CITIES			9,205,170,132	16,877,291,303	1,556,926,904	27,639,388,339	592,041,976	27,047,346,363	24,600,147,595	9.95	2,447,198,768
TOTAL UNINCORPORATED			1,047,085,189	1,958,930,927	1,523,688,359	4,529,704,475	242,693,578	4,287,010,897	3,903,583,959	9.82	383,426,938
TOTAL ROLL			10,252,255,321	18,836,222,230	3,080,615,263	32,169,092,814	834,735,554	31,334,357,260	28,503,731,554	9.93	2,830,625,706

GENERAL ASSESSMENT SUMMARY

SAN MATEO COUNTY CALIFORNIA
ROLAND E. GIANNINI ASSESSOR

A-4

COMBINED SECURED & UNSECURED ROLL

CITIES	LAND	IMPRS.	PER. PROP.	GROSS TOTAL	EXEMPTIONS BEFORE HOMEOWNERS	19 87-88 NET TOTAL	19 86-87 NET TOTAL	% INCREASE OR (DECREASE)	(LOSS) OR GAIN	
1. <i>ATHERTON</i>	1	404,505,682	454,181,115	4,666,427	863,353,224	29,424,577	833,928,647	742,457,103	12.3	91,471,544
2. <i>BELMONT</i>	3	381,442,110	774,324,450	32,104,879	1,187,871,439	26,859,885	1,161,011,554	1,078,591,339	7.7	82,420,215
1. <i>BRISBANE</i>	18	129,195,818	202,567,261	66,869,373	398,632,452	432,712	398,199,740	364,442,507	9.3	33,757,233
1. <i>BURLINGAME</i>	4	718,264,678	1,250,492,188	142,113,970	2,110,870,836	77,837,786	2,033,033,050	1,894,211,380	7.3	138,821,670
1. <i>COLMA</i>	7	79,938,047	64,997,220	8,793,894	153,729,161	46,470,009	107,259,152	89,640,420	19.7	17,618,732
1. <i>DALY CITY</i>	5	682,816,947	1,576,542,421	68,058,124	2,327,417,492	85,175,637	2,242,241,855	2,043,697,926	9.7	198,543,929
2. <i>EAST PALO ALTO</i>	21	100,914,519	213,256,046	10,098,356	324,268,921	7,795,946	316,472,975	299,645,422	5.6	16,827,553
1. <i>FOSTER CITY</i>	20	559,368,667	1,139,120,185	58,782,373	1,757,271,225	2,908,546	1,754,362,679	1,500,214,535	16.9	254,148,144
1. <i>HALF MOON BAY</i>	17	147,181,323	245,586,808	11,282,154	404,050,285	3,383,986	400,666,299	355,747,551	12.6	44,918,748
2. <i>HILLSBOROUGH</i>	6	573,818,099	804,289,790	1,862,815	1,379,970,704	4,683,431	1,328,934,714	1,256,851,738	5.7	72,082,976
1. <i>MENLO PARK</i>	8	740,327,731	1,273,000,252	210,513,504	2,223,841,487	43,372,869	2,180,468,618	2,007,480,664	8.6	172,987,954
2. <i>MILLBRAE</i>	14	316,785,599	620,450,550	23,904,549	961,140,698	5,328,111	955,812,584	860,657,901	11.1	95,154,683
2. <i>PACIFICA</i>	16	347,059,304	725,834,909	10,965,542	1,083,859,755	9,081,770	1,074,777,985	992,173,212	8.3	82,604,773
1. <i>PORTOLA VALLEY</i>	19	180,490,033	254,420,854	3,591,923	438,502,810	16,285,855	422,216,955	379,499,965	11.3	42,716,990
1. <i>REDWOOD CITY</i>	9	1,122,790,792	1,851,539,342	189,221,961	3,163,552,095	89,383,728	3,074,168,367	2,733,118,060	12.5	341,050,307
5. <i>BRUNO</i>	10	461,468,589	992,988,463	48,093,925	1,502,550,977	11,171,537	1,491,379,440	1,372,860,768	8.6	118,518,672
7. <i>SAN CARLOS</i>	11	536,643,723	1,030,936,199	96,878,149	1,664,458,071	10,857,511	1,653,600,560	1,499,253,378	10.3	154,347,182
3. <i>SAN MATEO</i>	12	1,435,793,858	3,010,676,167	251,984,627	4,698,454,652	119,595,607	4,578,859,045	4,234,921,591	8.1	343,937,454
1. <i>SO. SAN FRANCISCO</i>	13	887,875,170	1,836,269,746	433,441,010	3,157,585,926	71,261,569	3,086,324,357	2,791,562,610	10.6	294,761,747
0. <i>WOODSIDE</i>	15	266,333,121	343,007,185	2,817,194	612,157,500	1,072,531	611,084,969	550,318,293	11.0	60,766,676
TOTAL CITIES		10,073,013,810	18,664,481,151	1,676,044,749	30,413,539,710	662,383,606	29,704,803,545	27,047,346,363	9.8	2,657,457,182
TOTAL UNINCORPORATED		1,161,753,719	2,179,447,284	1,711,814,535	5,053,015,538	243,258,078	4,809,757,460	4,287,010,897	12.2	522,746,563
TOTAL ROLL		11,234,767,529	20,843,928,435	3,387,859,284	35,466,555,248	905,641,684	34,560,913,564	31,334,357,260	10.3	3,226,556,304

GENERAL ASSESSMENT SUMMARY

A-5

SAN MATEO COUNTY CALIFORNIA
ROLAND E. GIANNINI ASSESSOR

COMBINED SECURED & UNSECURED ROLL

CITIES	LAND	IMPRS.	PER. PROP	GROSS TOTAL	EXEMPTIONS BEFORE HOMEOWNERS	1988-89 NET TOTAL	1987-88 NET TOTAL	% INCREASE OR (DECREASE)	(LOSS) OR GAIN	
1. ATHERTON	1	451,159,720	508,200,948	4,848,212	964,208,880	31,424,202	932,784,678	833,928,647	11.9	98,856,031
2. BELMONT	3	404,539,871	831,817,782	39,509,971	1,275,867,624	28,450,859	1,247,416,765	1,161,011,554	7.4	86,405,211
3. BRISBANE	18	139,857,543	237,642,218	67,552,127	445,051,888	449,440	444,602,448	398,199,740	11.7	46,402,708
4. BURLINGAME	4	778,941,927	1,411,699,348	137,423,464	2,328,064,739	79,961,632	2,248,103,107	2,033,033,050	10.6	215,070,057
5. COLMA	7	87,232,779	106,103,397	15,989,921	209,326,097	50,579,411	158,746,686	107,259,152	48.0	51,487,534
6. DALY CITY	5	715,427,736	1,742,053,504	69,441,538	2,526,922,778	88,039,648	2,438,883,130	2,242,241,855	8.8	196,641,275
7. EAST PALO ALTO	21	106,746,821	228,029,535	8,730,435	343,506,791	8,245,448	335,261,343	316,472,975	5.9	18,788,368
8. FOSTER CITY	20	631,078,315	1,307,494,234	63,936,804	2,002,509,353	4,335,841	1,998,173,512	1,754,362,679	13.9	243,810,833
9. HALF MOON BAY	17	163,357,082	284,375,921	11,739,017	459,462,020	3,451,279	456,010,741	400,666,299	13.8	55,344,442
10. HILLSBOROUGH	6	623,430,634	888,383,526	1,930,475	1,513,744,635	7,087,003	1,506,657,632	1,375,287,273	9.6	131,370,359
11. MENLO PARK	8	788,196,400	1,386,935,425	221,449,245	2,396,581,070	49,154,081	2,347,426,989	2,180,468,618	7.7	166,958,371
12. MILLBRAE	14	336,369,606	677,470,120	27,627,733	1,041,467,459	5,544,116	1,035,923,343	955,812,584	8.4	80,110,759
13. PACIFICA	16	368,171,008	800,502,542	13,455,627	1,182,129,177	8,907,065	1,173,222,112	1,074,777,985	9.2	98,444,127
14. PORTOLA VALLEY	19	196,920,215	283,027,892	3,035,989	482,984,096	19,831,414	463,152,682	422,216,955	9.7	40,935,727
15. REDWOOD CITY	9	1,228,836,741	2,079,570,411	219,692,523	3,528,099,675	96,632,360	3,431,467,315	3,074,168,367	11.6	357,298,948
16. SAN BRUNO	10	493,321,447	1,058,748,366	48,980,136	1,601,049,949	13,191,837	1,587,858,112	1,491,379,440	6.5	96,478,672
17. SAN CARLOS	11	580,693,756	1,126,002,573	96,773,553	1,803,469,882	9,289,025	1,794,180,857	1,653,600,560	8.5	140,580,297
18. SAN MATEO	12	1,526,840,601	3,216,491,242	259,355,374	5,002,687,217	122,484,212	4,880,203,005	4,578,859,045	6.6	301,343,960
19. SO. SAN FRANCISCO	13	986,331,380	2,013,507,590	467,992,450	3,467,831,420	72,630,995	3,395,200,425	3,086,324,357	10.0	308,876,068
20. WOODSIDE	15	291,809,909	379,304,091	3,221,969	674,335,969	1,184,680	673,151,289	611,084,969	10.2	62,066,320
TOTAL CITIES		10,899,263,491	20,567,360,665	1,782,676,563	33,249,300,719	700,874,548	32,548,426,171	29,751,156,104	9.4	2,797,270,067

TOTAL UNINCORPORATED	1,269,992,548	2,376,884,317	1,732,231,841	5,379,108,706	250,266,653	5,128,842,053	4,809,757,460	6.6	319,084,593
TOTAL ROLL	12,169,256,039	22,944,244,982	3,514,908,404	38,628,409,425	951,141,201	37,677,268,224	34,560,913,564	9.0	3,116,354,660

TABLE (B1) ALL PARCELS

CITY	CODE	LAND	IMPROVEMENTS	TOTALS
EAST PALO ALTO '83-84	21	\$73,717,620	\$161,992,227	\$235,709,847
REDWOOD CITY '83-84	9	\$720,521,509	\$1,162,723,047	\$1,883,244,556 \$1,816,178,828
MENLO PARK '83-84	8	\$500,645,703	\$868,064,952	\$1,368,710,654 \$1,334,399,175

TABLE (B2) ALL PARCELS

CITY	CODE	LAND	IMPROVEMENTS	TOTALS	PRCNT CHG PROP VALUE	% ANNUM	INFLAT.	AVG. ANN NET INCRS	CPI-ALL	CPI-RENT
EAST PALO ALTO '88-89	21	\$106,746,821	\$228,029,535 DELTA \$99,066,509	\$334,776,356 \$99,066,509	42.03%	7.27%	4.37%	2.90%	CPI-ALL	CPI-RENT
REDWOOD CITY '88-89	9	\$1,228,836,741	\$2,079,570,411 DELTA \$1,425,162,596	\$3,308,407,152 \$1,425,162,596	75.68%	11.93%	4.37%	7.56%	CPI-ALL	CPI-RENT
MENLO PARK '88-89	8	\$788,196,400	\$1,386,935,425 DELTA \$806,421,171	\$2,175,131,825 \$806,421,171	58.92%	9.71%	4.37%	5.34%	CPI-ALL	CPI-RENT

TABLE (B2) ALL PARCELS

CITY	PRCNT CHG PROP VALUE YEARS '83-88	CPI	NET TOT. '83-88 INCREASE @ 5 YR.	CPI-ALL	CPI-RENT
EAST PALO ALTO	42.03%	23.80%	18.23%	CPI-ALL	CPI-RENT
		35.80%	6.23%		
REDWOOD CITY	75.68%	23.80%	51.88%	CPI-ALL	CPI-RENT
		35.80%	39.88%		
MENLO PARK	58.92%	23.80%	35.12%	CPI-ALL	CPI-RENT
		35.80%	23.12%		

TABLE (01)

PROPERTY VALUE ASSESSMENT APARTMENTS 4 OR MORE UNITS		FILE: PROPVALU	DATE: 01-12-'89	
EAST PALO ALTO '83-84		AS 06 COMPILATION DATE:	07/29/83	
Pg.&CD-AREAUSeCODE	#PARCELS	LAND	IMPROVEMENTS	TOTALS
224:072-005-05	25	\$5,191,107	\$15,801,763	\$20,992,870
227:072-019-05	48	\$4,682,976	\$15,433,741	\$20,116,717
230:072-025-05	4	\$514,584	\$1,321,149	\$1,835,733
230:072-027-05	3	\$435,965	\$2,025,124	\$2,461,089
231:072-035-05	21	\$3,887,576	\$11,649,004	\$15,536,580
226:072-019-04	7	\$144,231	\$447,174	\$591,405
230:072-025-04	2	\$146,247	\$285,336	\$431,583
231:072-035-04	1	\$10,441	\$41,767	\$52,208
	111	\$15,013,127	\$47,005,058	\$62,018,185
REDWOOD CITY '83-84		AS 06 COMPILATION DATE:	07/29/83	
Pg.&CD-AREAUSeCODE	#PARCELS	LAND	IMPROVEMENTS	TOTALS
066:009-001-05	416	\$30,558,341	\$93,332,148	\$123,890,489
071:009-013-05	4	\$234,106	\$672,140	\$906,246
072:009-014-05	2	\$122,463	\$584,018	\$706,481
073:009-016-05	6	\$609,613	\$3,128,365	\$3,737,978
075:009-017-05	3	\$133,185	\$641,794	\$774,979
075:009-045-05	28	\$1,502,766	\$4,192,196	\$5,694,962
084:009-057-05	3	\$494,455	\$3,131,278	\$3,625,733
066:009-001-04	95	\$3,087,370	\$7,498,856	\$10,586,226
081:009-045-04	10	\$350,974	\$943,125	\$1,294,099
	567	\$37,096,273	\$114,123,920	\$151,220,193
MENLO PARK '83-84		AS 06 COMPILATION DATE:	07/29/83	
Pg.&CD-AREAUSeCODE	#PARCELS	LAND	IMPROVEMENTS	TOTALS
042:008-001-04	167	\$7,015,486	\$15,251,672	\$22,267,158
042:008-001-05	106	\$8,292,619	\$20,011,664	\$28,304,283
045:008-004-04	20	\$927,326	\$1,949,022	\$2,876,348
045:008-004-05	31	\$2,511,798	\$7,003,232	\$9,515,030
046:008-005-05	6	\$3,730,681	\$10,804,492	\$14,535,173
049:008-021-04	2	\$43,036	\$118,137	\$161,173
049:008-021-05	1	\$125,310	\$323,720	\$449,030
050:008-023-05	2	\$1,099,019	\$2,304,744	\$3,403,763
053:008-035-05	2	\$42,541	\$81,467	\$124,008
058:008-066-05	1	\$34,807	\$237,851	\$272,658
061:008-083-05	1	\$38,961	\$139,323	\$178,284
062:008-084-05	1	\$279,596	\$1,118,385	\$1,397,981
063:008-092-04	43	\$844,579	\$2,492,612	\$3,337,191
063:008-092-05	59	\$3,837,544	\$10,068,934	\$13,906,478
	442	\$28,823,303	\$71,905,255	\$100,728,558

TABLE(D2)

EAST PALO ALTO '88-89

AS 06 COMPILATION DATE: 07/28/88

Pg.#CD-AREAuseCODE	#PARCELS	LAND	IMPROVEMENTS	TOTALS
214:021-004-05	25	\$6,899,610	\$21,630,599	\$28,530,209
216:021-014-05	50	\$6,038,138	\$21,591,814	\$27,629,952
220:021-021-05	4	\$568,135	\$1,458,646	\$2,026,781
220:021-020-05	3	\$481,330	\$2,235,894	\$2,717,224
221:021-029-05	21	\$4,391,886	\$13,810,920	\$18,202,806
216:021-014-04	7	\$193,933	\$609,429	\$803,362
220:021-020-04	1	\$32,772	\$76,469	\$109,241
221:021-029-04	1	\$11,524	\$46,113	\$57,637
DELTA	112	\$18,617,328	\$61,459,884	\$80,077,212
			DELTA	\$18,059,027

PRCNT CHG PROP VALUE YEARS '83-88	CPI	NET TOT. '83-88 INCREASE @5 YR.		
29.12X	23.80X	5.32X		CPI-ALL
	35.80X	-6.68X		CPI-RENT

PRCNT CHG PROP VALUE	X ANNUM	INFLAT.	AVG. ANN NET INCRS	
29.12X	5.24X	4.37X	0.87X	CPI-ALL
			\$539,558	
		6.31X	-1.07X	CPI-RENT
			(\$663,595)	EAST P. ALTO

REDWOOD CITY '88-89

AS 06 COMPILATION DATE: 07/28/88

Pg.#CD-AREAuseCODE	#PARCELS	LAND	IMPROVEMENTS	TOTALS
073:009-001-05	423	\$54,178,489	\$149,412,452	\$203,590,941
078:009-013-05	4	\$355,165	\$875,026	\$1,230,191
079:009-014-05	2	\$185,957	\$922,794	\$1,108,751
080:009-016-05	6	\$885,707	\$3,963,389	\$4,849,096
082:009-017-05	3	\$716,461	\$1,782,142	\$2,498,603
088:009-045-05	29	\$2,639,034	\$6,181,410	\$8,820,444
091:009-057-05	3	\$1,511,869	\$4,371,638	\$5,883,507
073:009-001-04	95	\$4,904,207	\$11,124,017	\$16,028,224
088:009-045-04	10	\$594,802	\$1,288,651	\$1,883,453
083:009-023-05	1	\$6,645,034	\$16,422,000	\$23,067,034
092:009-059-05	1	\$523,326	\$3,979,530	\$4,502,856
DELTA	577	\$73,140,051	\$200,323,049	\$273,463,100
			DELTA	\$122,242,907

PRCNT CHG PROP VALUE YEARS '83-88	CPI	NET TOT. '83-88 INCREASE @5 YR.		
80.84X	23.80X	57.04X		CPI-ALL
	35.80X	45.04X		CPI-RENT

PRCNT CHG PROP VALUE	X ANNUM	INFLAT.	AVG. ANN NET INCRS	
80.84X	12.58X	4.37X	8.21X	CPI-ALL
			\$12,415,178	
		6.31X	6.27X	CPI-RENT
			\$9,481,506	REDW. CITY

MENLO PARK '88-89

AS 06 COMPILATION DATE: 07/28/88

Pg.#CD-AREAuseCODE	#PARCELS	LAND	IMPROVEMENTS	TOTALS
047:008-001-04	167	\$12,339,149	\$23,135,990	\$35,475,139
047:008-001-05	106	\$14,063,095	\$29,795,756	\$43,858,851
050:008-004-04	20	\$1,342,550	\$2,470,007	\$3,812,557
050:008-004-05	31	\$4,308,489	\$9,595,464	\$13,903,953
051:008-005-05	6	\$5,471,617	\$15,540,688	\$21,012,305
070:008-107-04	2	\$47,509	\$130,429	\$177,938
070:008-107-05	1	\$256,000	\$438,900	\$694,900
055:008-023-05	2	\$1,213,402	\$2,544,618	\$3,758,020
057:008-035-05	2	\$46,962	\$89,941	\$136,903
063:008-066-05	1	\$38,428	\$262,606	\$301,034
065:008-083-05	1	\$43,013	\$153,823	\$196,836
066:008-084-05	1	\$308,693	\$1,234,785	\$1,543,478
068:008-092-04	18	\$638,855	\$1,634,789	\$2,273,644
068:008-092-05	16	\$332,109	\$1,356,673	\$1,688,782
071:008-108-04	7	\$158,485	\$484,519	\$643,004
071:008-108-05	29	\$4,745,528	\$11,263,346	\$16,008,874
DELTA	-32	\$45,353,884	\$100,132,334	\$145,486,218
			DELTA	\$44,757,660

PRCNT CHG PROP VALUE YEARS '83-88	CPI	NET TOT. '83-88 INCREASE @5 YR.		
44.43X	23.80X	20.63X		CPI-ALL
	35.80X	8.63X		CPI-RENT

PRCNT CHG PROP VALUE	X ANNUM	INFLAT.	AVG. ANN NET INCRS	
44.43X	7.63X	4.37X	3.26X	CPI-ALL
			\$3,283,751	
		6.31X	1.32X	CPI-RENT
			\$1,329,617	

DOCUMENTARY TABLE(F)
 TRASFER TAX ,EPA MULTIFAM. 4+UNITS APARTMENTS

NO. UITS	2859 TURN OVER @	RENT CONTROLLED		NO RENT CONTROL	
		PRESENT 3.60% UNIT PRICE:	MINIMUM 33.33% \$60,000	NOMINAL 33.33% \$70,000	MAXIMUM 33.33% \$80,000
TAX BASE		\$80,087,336	\$171,540,000	\$200,130,000	\$228,720,000
ANNUAL TURN OVER		\$2,883,144	\$57,174,282	\$66,703,329	\$76,232,376
RATE @27.5c/\$500	*	\$1,586	\$31,446	\$36,687	\$41,928
RATE @\$2/\$1000	*	\$5,766	\$114,349	\$133,407	\$152,465
TOTAL @\$2.55/\$1000	*	\$7,352	\$145,794	\$170,093	\$194,393
REVENUE INCREASE		N/A	\$138,442	\$162,741	\$187,041

TABLE (G)

EPA CITY/S.M. COUNTY PROP. TAX RATE RENEGOTIATION, APARTMENT PROP. TAX

NO. UNITS	2859	PRESENT	MINIMUM	NOMINAL	MAXIMUM
		PROP.TAXRATE 0.42479% UNIT PRICE: \$28,012	0.50% \$60,000	0.55% \$70,000	0.60% \$80,000
PROP.TAX BASE APTS.		\$80,087,336	\$171,540,000	\$200,130,000	\$228,720,000
PROP TAX REVENUE		\$340,204	\$857,700	\$1,100,715	\$1,372,320
REVENUE INCREASE		\$0	\$517,496	\$760,511	\$1,032,116

TABLE(H)

EPA CITY/S.M. COUNTY PROP. TAX RATE FIXED @ 0.42479%, APARTMENT PROP. TAX

NO. UNITS	2859	PRESENT	MINIMUM	NOMINAL	MAXIMUM
		PROP.TAXRATE 0.42% UNIT PRICE: \$28,012	0.42% \$60,000	0.42% \$70,000	0.42% \$80,000
PROP.TAX BASE APTS.		\$80,087,336	\$171,540,000	\$200,130,000	\$228,720,000
PROP TAX REVENUE		\$340,204	\$728,687	\$850,135	\$971,583
REVENUE INCREASE		\$0	\$388,483	\$509,931	\$631,379

TABLE(I)
 SUM TOTAL REVENUE ENHACEMENT(@\$2 TRANSFER TAX & PROP.TAX RENEGOTIATION)

TOTAL REVENUE	\$347,556	\$1,003,494	\$1,270,808	\$1,566,713
REVENUE INCREASE	\$0	\$655,938	\$923,252	\$1,219,156

TABLE(J)
 SUM TOTAL REVENUE ENHACEMENT(@\$2 TRANSFER TAX & PROP.TAX @0.42479%)

TOTAL REVENUE	\$347,556	\$874,481	\$1,020,228	\$1,165,975
REVENUE INCREASE	\$0	\$526,925	\$672,672	\$818,419

TABLE (K)

EPA CITY/S.M. COUNTY PROP. TAX RATE RENEGOTIATION, DEVELOPEMENT
 NEW DEVELOPEMENTS:(UNIVERSITY CIRCLE @ \$400 M, RAVENSWOOD IND.@ \$100 M,BAYSHORE IND. @ \$110 M)

	PRESENT	MINIMUM	NOMINAL	MAXIMUM
PROP.TAXRATE	0.42479%	0.50%	0.55%	0.60%
TOT NEW DEVELOPEMENTS	\$0	\$610,000,000	\$610,000,000	\$610,000,000
PROP.TAX INCREMENT				
PROP TAX REVENUE	\$0	\$3,050,000	\$3,355,000	\$3,660,000

TABLE(L)

EPA CITY/S.M. COUNTY PROP. TAX RATE FIXED @ 0.42479%, DEVELOPEMENT

	PRESENT	MINIMUM	NOMINAL	MAXIMUM
PROP.TAXRATE	0.42%	0.42%	0.42%	0.42%
	\$0	\$400,000,000	\$500,000,000	\$610,000,000
REVENUE INCRE	\$0	\$1,699,165	\$2,123,957	\$2,591,227
		UNIV.CIRC.	UNIV.+RAVW.	UNIV.+RAVW.+BAYSHR.

TABLE(M)
 EPA CITY/S.M. COUNTY PROP. TAX RATE RENEGOTIATION, EPA TOT. PROP. TAX REVENUE INCREASE

	PRESENT	MINIMUM {	NOMINAL	MAXIMUM
NEW PROP.TAXRATE	0.42479%	0.50%	0.55%	0.60%
TOT. EPA PROP. TAX BASE	\$334,776,356	\$334,776,356	\$334,776,356	\$334,776,356
EPA PROP.TAX @ OLD RATE	\$1,422,101			
EPA PROP.TAX @ NEW RATES		\$1,673,882	\$1,841,270	\$2,008,658
PROP TAX REVENUE INCREASE	\$0	\$251,781	\$419,169	\$586,557

MINORITY REPORT

RE:

RENT CONTROL

MINORITY REPORT ON ITEM #4 (ATTACHMENT B)

Most people have experienced, during a storm, making a turn too fast and losing control of their automobile. The immediate instinctive reaction is to slam on the brakes or turn the opposite direction. Both actions are wrong and could prove fatal to the panicking driver. The cool headed driver has a much better chance of once again gaining control of the situation safely. The City is at a very critical stage, it is clear that one of the most serious mistakes that brought us here is the lack of planning and analysis. The Majority report recommends that the Council makes a rash decision without planning or analysis. We strongly oppose the Majority position. It could prove catastrophic to attempt to rush into eliminating the Ordinance To Stabilize Rents For Residential Housing and Establish Good Cause Eviction: Ordinance # 0.76 (hereafter referred to the Ordinance). The recommendation to eliminate the Ordinance is neither supported by law nor by financial data.

RECOMMENDATION

The City Council should establish a balanced short term (60 to 90 days) task force to study the effects of the current Ordinance. This task force should report on these effects and make a recommendation to the council to either keep the Ordinance intact or to place a ballot measure before the voters to modify or eliminate the Ordinance.

BACKGROUND

Legal Disposition of the Ordinance:

The City Council should seek legal council on the following issues:

- 1) The current Ordinance was approved by the voters in 1985. In a democratic society the voters are the highest authority. Laws approved by the people may be amended or repealed only by the people.
- 2) In 1988, Measure C reaffirmed the principal and restricts the council from amending, changing or repealing laws or ordinances adopted by the voters.

3) The lawsuit that the majority report suggests that the City should settle is quite similar to the one filed against the City of Berkeley. Berkeley's ordinance was upheld by the Supreme Court as constitutional. If this lawsuit was settled, what are the fiscal ramifications from other potential lawsuits (from non-plaintiff landlords)?

4) The Council needs to consider the potential lawsuits filed by any voter in any Council action to amend, repeal, or modify the law without voter approval.

Faulty Assumptions Made Using Partial Data:

There are three obvious faulty assumptions made in the majority report regarding the effects of the Ordinance: 1) East Palo Alto would regularly follow the trends of other communities 2) Housing development decreased after 1983 (when the first rent stabilization ordinance was enacted) 3) the only factor effecting housing development was and is rent control.

Comparing Communities:

Factors such as local industrial development, number and type of new jobs are extremely pertinent to housing demand. If we made the assumption that a comparison was valid, which community should be chosen to compare with? Are we more influenced by San Mateo County or Santa Clara County? Do conditions in Redwood City or Menlo Park have more of an effect over conditions in our City than conditions in Palo Alto and Mountain View? The majority report fails to give any reason for choosing the communities they've chosen.

Housing Development Prior to 1983:

Since the City was not incorporated prior to 1983, the data in the County is somewhat difficult but not impossible to retrieve.

Minority Report

3

Using the same parcels indicated in Table D of the Majority report for 1980 and 1982 (1981 was not available) we find the following:

East Palo Alto

<u>Year</u>	<u>Land Value</u>	<u>Improvements</u>	<u>Total Value</u>
1980	10,077,936	36,205,468	46,283,404
1982	12,468,920	39,803,974	52,272,894

$(1982 \text{ total} - 1980 \text{ total}) / (1980 \text{ total}) / 2 \text{ yrs} = \text{yearly increase}$

$[(52,272,894 - 46,283,404) / 46,283,404] / 2 = .065$

Pre-rent stabilization increase in assessed value = **6.5%** (not adjusted for inflation)

According to the Majority report the average annual post-rent stabilization increase between 1983 and 1988 was **7.27%**

Clearly these figures do not support the negative effect of the Ordinance posture.

Additional Factors:

A reasonable argument could be made that suggests that the reason for the stagnated development of the City could be based in a series of damaging events. As soon as the City became incorporated a lawsuit was filed against the City which in addition to diverting well over \$100,000.00 in direct legal costs, it also had the effect of keeping investors away because of the uncertainty of the City's future. By the time the suit was dismissed by the California Supreme Court and rejected by the United States Appellate Court, three years of opportunities for development were lost. These circumstances, in addition to poor fiscal management, caused City services to suffer, including police services, public works, and recreation.

Other mitigating factors include the five year decline in the Ravenswood School District, which completely encompasses East Palo Alto (based on Statewide California Achievement Test Scores, 1983 - 1988). The state of a school district greatly affects property value in any community.

There has been no evidence presented supporting the view that the Ordinance is responsible for the City's fiscal condition.

CONCLUSION

The Ordinance does not just cover rent control. It also has sections protecting tenants from unfair eviction and protects landlords from excessive property damage caused by tenants. By eliminating the Ordinance, these protections would be lost with no benefit to the City.

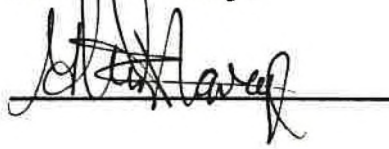
In addition, the obvious political instability that would occur as a result of the wholesale elimination of the Ordinance would severely damage any chance for credibility for the City. Lawsuits, and a potential recall election (successful or not) would again put the City in a state of extreme political turmoil. and financial chaos. We must proceed with caution, we cannot afford to make decisions without considering the consequences.

We strongly recommend that the City Council reject the Majority recommendation and appoints a task force to study the issues closely, and that the task force forward recommendations dealing with the Ordinance to the City Council based on clear and accurate data.

Armond Ross



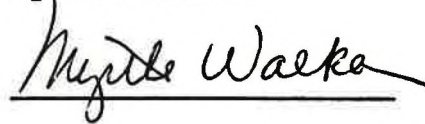
Glenda Savage



Bomani Siwatu



Myrtle Walker



Sharifa Wilson



TABLE "M"

ATTACHMENT "C"

Item # 9 (Revenue report)

TABLE (M)
 EPA CITY/S.M. COUNTY PROP. TAX RATE RENEGOTIATION, EPA TOT. PROP. TAX REVENUE INCREASE

	PRESENT	MINIMUM	NOMINAL	MAXIMUM
NEW PROP.TAXRATE	0.42479%	0.50%	0.55%	0.60%
TOT. EPA PROP. TAX BASE	\$334,776,356	\$334,776,356	\$334,776,356	\$334,776,356
EPA PROP.TAX @ OLD RATE	\$1,422,101			
EPA PROP.TAX @ NEW RATES		\$1,673,882	\$1,841,270	\$2,008,658
PROP TAX REVENUE INCREASE	\$0	\$251,781	\$419,169	\$586,557

