

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE _____

Measure _ submits to the voters the question of whether to authorize the City to issue up to \$600 million in general obligation bonds to finance City infrastructure projects and affordable housing. Proceeds from the sale of the bonds could be used only to pay for the projects described in the measure and certain costs associated with issuing the bonds. 57

The City would impose an annual ad valorem tax to pay the principal and interest due on the bonds. "Ad valorem" means according to value. An ad valorem tax based on the value of the real property and improvements would be levied on all taxable property within the City. When the bonds are repaid, the annual tax will terminate. 53

California law authorizes cities to issue general obligation bonds to finance acquisition or improvement of real property subject to certain limitations. 41

The Tax Rate Statement, included in the ballot materials, reflects the City's current estimate of the additional ad valorem property tax levy that would be required to repay the bonds. The Tax Rate Statement is an estimate based on currently available data and projections. The actual tax levied could be more or less than the City's estimate. The measure requires the following:

- A citizen oversight board or commission to review bond expenditures and report to the City Council,
- Deposit of bond proceeds in a special trust account, and
- Annual audits to ensure accountability and proper disbursement of the bond proceeds and compliance with California laws. This annual audit would be required until the City spends all of the bond proceeds. 111

The bond proceeds would finance:

- Street paving and reconstruction, bikeways, sidewalks, paths, stairs, streetscape, curb ramps, and traffic calming improvements;
- Construction, purchase, improvement or rehabilitation of City facilities including fire, police, library, parks, recreation, and senior facilities;
- Water, energy and seismic improvements consistent with the City's Energy and Climate Action Plan;
- Anti-displacement and affordable housing preservation projects including acquisition, rehabilitation, or new construction according to the City Affordable Housing Bond Law. 607

The projects financed by the bonds would be completed as needed according to City Council established priorities as set forth in the City's Capital Improvement Plan and considering factors including social and geographic equity, improvements to existing core capital assets, impacts on existing operations and maintenance costs, and effects on energy consumption, resiliency and mobility. Before each bond issue, the City Council would identify the specific projects to be financed. 603

This measure would authorize the City to use bond proceeds to develop, construct and acquire up to 2000 rental housing units for low-income households pursuant to Article 34 of the California Constitution. Article 34 requires voter approval for the development, acquisition or construction of "low-rent" housing projects. 44

A vote of "yes" by two-thirds (2/3) of votes cast is required to approve the issuance of \$600 million in bonds and impose ad valorem taxes necessary to pay the bonds. 29


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City Auditor's Impartial Financial Analysis of Infrastructure Bond Ballot Measure

This Measure authorizes the City of Oakland to issue up to \$600,000,000 in General Obligation bonds to fund various infrastructure and affordable housing projects. The City plans to expend funds as follows:

- Streets, Sidewalks and Pedestrian, Bicycle and Traffic Safety
- Public Safety and Improving Quality of Life
(Libraries, Parks & Recreation, Fire and Police)
- Housing Anti-Displacement Measures

Financial Impact

Our estimate is based on the assumption that all of the authorized bonds will be issued within 10 years in five series, so that the entire \$600 million is not issued at one time. Principal and interest on the bonds will be payable from the proceeds of annual tax levies made upon the taxable property in the City.

Beginning with the first issuance, based on the projected issue of \$200 million in the first series of bonds, the estimated annual tax rate per \$100,000 of assessed value will be approximately \$23.55. The average assessed value of a single family residence in Oakland for 2015 was \$434,028, which means the 2017-2018 tax rate for such property is estimated at \$102.21.

Once the last projected series of bonds is issued, the estimated annual tax rate will reach its highest estimated value of \$79.12 per \$100,000 of assessed value, or \$343.40 for the average assessed value of \$434,028 for a single family residence.

Once all bond series are issued, we expect the tax rate to remain at the same level until the projected maturity dates of the bond series. We anticipate the annual estimated tax rate to gradually decrease as each bond series is paid over time.

The actual tax rates and the years in which they will apply may vary from estimates due to the timing of bond sales, the amount of bonds sold, market interest rates at the time of each sale, and actual assessed valuations over the repayment term of the bonds. Additionally, without limitation as to rate or amount, the City Council may levy and collect additional tax sufficient to pay debt service on the bonds in any fiscal year.

The bonds may be used for approved projects and the costs of the issuance and sale of the bonds. There will be other administrative costs associated with this Measure

including a proposed Citizen Oversight Commission; however, these costs cannot be effectively determined until program implementation.