



# County of Monterey

Item No.16

## Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

Legistar File Number: PAR 26-005

March 17, 2026

**Introduced:** 3/6/2026

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** Preliminary Analysis  
Report

Receive a preliminary analysis in response to Board Referral No. 2026.01 (Daniels) seeking a potential special real estate transfer tax on ultra-high-value single-family residential property transactions in unincorporated Monterey County and provide direction as appropriate.

### RECOMMENDATION

It is recommended that the Board of Supervisors:

- a. Receive a preliminary analysis responding to **Board Referral No. 2026.01** regarding a potential special real estate transfer tax on ultra-high-value property transactions in unincorporated Monterey County; and
- b. Provide direction on a preferred processing option of the referral:
  - i. Proceed with completion of the referral as outlined in this report;
  - ii. Proceed with modifications as directed by the Board;
  - iii. Direct staff to return with a comprehensive feasibility analysis, including a comparative analysis of potential policy options, and a detailed staffing and cost estimate necessary to complete the analysis and support potential implementation; or
  - iv. Rescind the referral.
- c. Provide any additional direction, as appropriate.

### PRELIMINARY ANALYSIS

#### **Background**

Board Referral No. 2026.01 (Daniels) requests an evaluation of a potential special real estate transfer tax applied to single-family residential property sales exceeding \$10 million in unincorporated Monterey County.

The referral seeks to explore whether such a tax could establish a dedicated and stable local revenue source to support housing initiatives in proximity to the sale of those homes, including:

- Workforce housing “Missing middle” housing First time homebuyer assistance
- Housing production necessary to meet State -Housing Element requirements

For purposes of this analysis:

Workforce Housing generally refers to housing that is affordable to households earning moderate incomes, typically between 80% and 120% of Area Median Income (AMI), including teachers, healthcare workers, hospitality employees, and public safety personnel who often work within the County but face difficulty affording local housing.

Missing Middle Housing refers to small-scale, multi-unit housing types compatible with single-family neighborhoods, such as duplexes, triplexes, fourplexes, cottage courts, and small courtyard apartments that help bridge the gap between single-family homes and large apartment complexes.

The County is finalizing its 6th Cycle Housing Element (2023-2031). State law requires the County to demonstrate sufficient zoning capacity to meet its Regional Housing Needs Allocation (RHNA).

The unincorporated County must plan for 3,326 units across all income levels.

Meeting RHNA requires:

- Adequate land capacity
- Infrastructure investments
- Funding for affordable and moderate-income- housing
- Removal of development constraints
- First-time homebuyer and workforce housing -programs

Identifying dedicated housing funding sources can strengthen Housing Element implementation, reduce compliance risks, and improve competitiveness for state housing grants and financing programs

Exploring potential local revenue strategies aligns with the County's 2025-2028 Strategic Plan goal of supporting housing opportunities and sustainable communities while maintaining responsible fiscal stewardship.

Several California jurisdictions have implemented similar ultra-high-value property transfer taxes, providing a potential policy framework for evaluating local applicability.

### **Project Description**

This preliminary review evaluates the feasibility, legal authority, and potential revenue implications of imposing a transfer tax on ultra-high-value residential property transactions in unincorporated Monterey County.

Areas of analysis include:

- Ballot Measure Requirements and timeline
- Comparison to transfer taxes adopted in other California jurisdictions
- Review of local ultra-high-value- sales data
- Preliminary revenue projections
- Potential exemptions (e.g., nonprofit entities, affordable housing developers, governmental entities, and County owned property)
- Staffing and cost considerations associated with conducting a full analysis and supporting potential implementation

### **Ballot Measure Requirements**

A real estate transfer tax dedicated to housing purposes would constitute a special tax under California law.

Key requirements include:

- Voter Approval Threshold

A *special tax* requires two-thirds (66.67%) voter approval.

- Ballot Measure Structure

The ballot measure must clearly:

- o Establish the tax rate
- o Define the transaction threshold (for example property sales exceeding \$10 million)
- o Specify the restricted use of funds (such as workforce housing and missing middle housing initiatives)
- o Include provisions for administration, oversight, reporting, and accountability

- Timeline Considerations

To place a measure on the ballot, staff and County Counsel would need to prepare:

- o Draft ordinance language
- o Fiscal impact statement
- o Ballot question and impartial analysis
- o Public information and outreach strategy
- o Required filings with the Registrar of Voters and Secretary of State

Preparation of the ballot measure typically requires 4-6 months of coordinated staff work to the ballot filing deadline.

### **Other California Jurisdictions**

Several California jurisdictions have adopted graduated real estate transfer taxes targeting ultra-high-value property transactions (see Attachment A).

The measures typically:

- Apply ultra-higher tax rates to property sales above specified thresholds
- Dedicate revenues to housing or homelessness programs
- Include exemptions for affordable housing development or nonprofit transactions

A comparative summary of relevant jurisdictions, including tax rates and revenue uses, will be included in the full analysis.

### **Ultra-high-Value Property Transactions History**

Over the past three calendar years, the following number of single-family residential transactions exceeding \$10 million in unincorporated Monterey County:

2023 - 10 transactions - \$175,530,000

2024 - 9 transactions - \$192,425,000

2025 - 11 transactions - \$155,630,000

Average annual sales volume (2023-2025): \$174,528,333

### **Potential Revenue from Transfer Tax**

Using the three-year average sales volume, estimated annual revenue could include:

- 1% tax → \$1,745,283

- 2% tax → \$3,490,567
- 3% tax → \$5,235,850
- 4% tax → \$6,981,133
- 5% tax → \$8,726,417

*Actual revenues would fluctuate depending on the number, timing, and value of qualifying property transactions each year.*

### **Potential Revenue Use Options**

The County is completing its 6th Cycle Housing Element (2023-2031) and must plan for 3,326 housing units in unincorporated areas across all income categories.

If approved by voters, revenues from a special transfer tax could be restricted to housing purposes, including:

#### **1. Workforce and Missing Middle- Housing**

- Down-payment assistance
- First Time Homebuyers programs
- Development incentives (deferred fees, buydown costs for moderate housing projects)
- Gap financing for moderate-income housing projects
- Public-private development -partnerships

#### **2. Infrastructure and Site Development**

- Water, sewer, and roadway improvements on Housing Element sites
- Utility upgrades that enable multifamily housing development
- Environmental remediation or site preparation

#### **3. Preservation of Existing Affordable Housing**

- Acquisition of at-risk- rental properties
- Rehabilitation and extension of affordability covenants

#### **4. Housing Program Administration**

- Community outreach and education
- Staffing resources for Housing Element implementation
- Compliance monitoring and program reporting

Investing revenues in these areas would support Housing Element implementation and advance the County's Strategic Plan priorities of increasing housing availability, supporting thriving communities, strengthening long-term infrastructure investment.

### **Estimated Project Cost**

A complete feasibility evaluation would require coordination across multiple County departments.

Areas of anticipated cost include:

- Legal analysis (County Counsel)
- Fiscal and economic modeling (CAO and Assessor-Recorder)
- Housing policy analysis (Housing and Community Development Department)
- Community engagement and public outreach
- Potential consultant services for polling, ballot measure development, and economic analysis

**Staffing Level Estimate**

Completion of a comprehensive analysis will require a multi-departmental effort involving the County Administrative Office, County Counsel, the Assessor-Recorder, the Housing and Community Development Department, and other departments as appropriate.

Given the complexity of legal, fiscal, and policy considerations, staff anticipate that a full evaluation could require several weeks to multiple months of coordinated staff work, depending on the scope of analysis requested by the Board.

Specific staffing needs and cost estimates would be presented to the Board upon direction to proceed with a comprehensive analysis.

**Departmental Challenges**

Potential challenges associated with further analysis include:

- Need for specialized economic modeling and market analysis
- Legal constraints related to local taxation authority under California law
- Ballot measure preparation timelines
- Competing departmental priorities and available staff capacity

**Proposed Response Date**

Given the scope of additional analysis required, staff recommends extending the response deadline to April 14, 2026, to allow sufficient time for interdepartmental coordination and development of a comprehensive report.

**Next Steps**

Based on Board direction, potential next steps could include:

- Conducting a full feasibility and policy analysis
- Developing potential tax structure and ballot measure options
- Completing additional fiscal and economic modeling
- Conducting community and stakeholder outreach
- Returning to the Board with findings and policy options for a potential ballot measure

**BO ARD OF SUPERVISORS STRATEGIC PLAN GOALS:**

- X\_\_ Well-Being and Quality of Life
- X Sustainable Infrastructure for the Present and Future
- \_\_ Safe and Resilient Communities
- X Diverse and Thriving Economy

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Attachments: Board Referral No. 2026-01; Attachment A