



County of Monterey

Item No.10

Board Report

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

Legistar File Number: RES 26-054

April 14, 2026

Introduced: 4/9/2026

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Resolution

- a. Receive and accept the updated analysis responding to questions and comments raised during the Board's first discussion of Board Referral No. 2026.01 (Daniels) regarding a potential special real estate transfer tax in unincorporated Monterey County;
- b. Direct staff to move forward with development of a Property Transfer Tax ballot initiative for placement on a future countywide ballot;
- c. Direct staff to move forward with analysis and ballot measure preparation for a potential increase to the Transient Occupancy Tax in unincorporated Monterey County;
- d. Direct staff to return with a feasibility analysis, implementation timelines for both revenue measures following completion of polling and strategic analysis;
- e. Consider approving the attached Resolution to amend the County of Monterey Administrative Office Fiscal Year (FY) 2025-26 Adopted Budget 001-1050-8039-CAO014 (Other General Expenditures) to increase appropriations by \$83,500, financed by a reduction in the appropriation of 001-1050-8034-CAO020 (Contingencies) to support consultant services necessary for pre-ballot feasibility and public engagement (4/5ths vote required); and
- f. Consider authorizing and directing the Auditor-Controller and County Administrative Office to incorporate the changes in the FY 2025-26 County Administrative Office Adopted Budget 001-1050-8039-CAO014 (Other General Expenditures) (4/5ths vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive and accept the updated analysis responding to questions and comments raised during the Board's first discussion of Board Referral No. 2026.01 (Daniels) regarding a potential special real estate transfer tax in unincorporated Monterey County;
- b. Direct staff to move forward with development of a Property Transfer Tax ballot initiative for placement on a future countywide ballot;
- c. Direct staff to move forward with analysis and ballot measure preparation for a potential increase to the Transient Occupancy Tax in unincorporated Monterey County;
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- f. Consider authorizing and directing the Auditor-Controller and County Administrative Office to incorporate the changes in the FY 2025-26 County Administrative Office Adopted

Budget 001-1050-8039-CAO014 (Other General Expenditures) (4/5ths vote required).

SUMMARY/DISCUSSION:

On March 17, 2026, the Board directed staff to return with additional information and clarifications relating to Board Referral No. 2026.01 (Daniels), seeking evaluation of a potential special real estate transfer tax (PTT) on high-value property transactions in unincorporated Monterey County. The Board requested additional- information on:

- Analysis for adjusting the proposed tax threshold, including lowering the threshold from \$10 million to \$5 million.
- Impact on the real estate markets for jurisdictions that have implemented a property transfer tax measure.

Analysis for adjusting the proposed tax threshold, including lowering the threshold from \$10 million to \$5 million

Category

\$5M+ Properties

- **3-Year Transaction Count (2023-2025): 108**
- **Average Annual Transactions: 36**
- **2023 Total Sales Volume: \$302.5M**
- **2024 Total Sales Volume: \$407.8M**
- **2025 Total Sales Volume: \$343.9M**
- **3-Year Combined Sales Volume: \$1,054M**
- **Average Annual Sales Volume: \$351.4M**

\$10M+ Properties

- **3-Year Transaction Count (2023-2025): 30**
- **Average Annual Transactions: 10**
- **2023 Total Sales Volume: \$175.5M**
- **2024 Total Sales Volume: \$192.4M**
- **2025 Total Sales Volume: \$155.6M**
- **3-Year Combined Sales Volume: \$523.5M**
- **Average Annual Sales Volume: \$174.5M**

Based on the analysis the average number of transactions between the property values would more than triple going from an average of 10 property transactions per year to an average of 36 transactions per year.

Based on 3-Year Average Sales Volume

\$5M+ Properties

- 0.50% Property Transfer Tax Rate: \$1,756,937
- 1% Property Transfer Tax Rate: \$3,513,874
- 2% Property Transfer Tax Rate: \$7,027,749
- 3% Property Transfer Tax Rate: \$10,541,623
- 4% Property Transfer Tax Rate: \$14,055,498

- 5% Property Transfer Tax Rate: \$17,569,372

\$10M+ Properties

- 0.50% Property Transfer Tax Rate: \$872,642
- 1% Property Transfer Tax Rate: \$1,745,283
- 2% Property Transfer Tax Rate: \$3,490,567
- 3% Property Transfer Tax Rate: \$5,235,850
- 4% Property Transfer Tax Rate: \$6,981,133
- 5% Property Transfer Tax Rate: \$8,726,417

Based on the average sales volume the revenue estimates between applying the property transfer transaction rate to property sales transactions greater the \$10M versus \$5M would generate about double the estimated tax generated compared to just applying to properties greater than \$10M however, it would affect about three times more properties.

A review of impacts on the real estate market for jurisdictions that have implemented a property transfer tax measure has revealed mixed results based on case studies for the City of Los Angeles and the City and County of San Francisco. Experience from California jurisdictions most notably Los Angeles under Measure ULA shows that imposing a transfer tax on high-value residential properties tends to significantly reduce transaction volume at the top end of the market. In Los Angeles, sales of high-value single-family homes fell sharply after implementation, and many sellers delayed listing or shifted transactions to nearby jurisdictions to avoid the tax. The resulting drop in turnover also reduced the number of properties reassessed at market value, leading to lower than expected general property tax revenue and causing transfer tax receipts to fall well below initial projections. These behavioral responses produced a combination of slower luxury home activity, market displacement, and revenue volatility effects that are now well documented in postimplementation assessments.

For Monterey County, the likely impacts would be similar but meaningfully smaller in scale because the County is considering applying the tax only to *ultra high-value* residential transactions, rather than the much broader tax structures used in Los Angeles or San Francisco. If successful, the County's tax would apply to a narrower and more infrequently traded segment of the residential market, the overall number of affected transactions would be limited, and the risk of broad market disruption is substantially lower. However, even at ultrahigh price points, the County could still expect some seller behavioral responses such as delaying sales, adjusting pricing strategies, or structuring transactions to remain below the threshold which may reduce the number of taxable events. As a result, revenues may be more volatile and potentially below initial projections. At the same time, this narrow design also reduces the risk of spillover effects onto middle or upper middle-income homeowners, limits market wide price impacts, and aligns the tax more closely with the small segment of the residential market most capable of absorbing additional transaction costs.

Policy Considerations

Lowering the threshold to over \$5 million would likely result in a greater number of annual transactions, which in turn reduces year-over-year volatility. It would also expand the taxable base, generating higher and more predictable revenue. This additional stability could improve

the County's ability to finance workforce and missing middle housing initiatives. In addition, ballot polling may indicate that voters perceive this threshold as a fairer approach.

However, lowering the threshold to over \$5 million carries several potential risks. It would affect a broader group of high-value homeowners, which could increase organized opposition. Some of the transactions captured at this level may be less "luxury" in nature and more typical of District 5's coastal market, potentially complicating messaging and perceptions. Additionally, homeowners might respond behaviorally by timing sales or using alternative transaction structures to avoid the threshold.

In addition to the above additional areas, the Board also indicated that if the measure would proceed that property transfer tax should:

- Not include agricultural related properties.
- Should include a property value escalator as the cost of overall housing market prices increase.
- Certain types of entities can be exempt from the property transfer tax such as local area land trusts.

These items will be incorporated into the potential polling and consideration of ballot measure creation if the Board approves proceeding with this Property Transfer Tax (PTT) ballot measure.

In addition to this property transfer tax initiative referral, the County has also been exploring a potential increase of the County's Transient Occupancy Tax (TOT) as a way to respond to rising County costs. As a result, staff recommends if the Board approves moving the property tax initiative forward, that an increase to the TOT be included in the next phase of community polling to gauge the community desire for both tax measures.

Staff recommends hiring a consultant to engage in both public opinion polling and strategic political guidance. Specifically, EMC Research would conduct a statistically valid poll of 500 respondents covering both the PTT and TOT measures, at a cost of \$47,500. In addition, Clifford Moss would provide political and strategic consulting, including strategy development, community listening and interviews with opinion leaders, ballot language and messaging development, and support with placement and informational outreach. Their services are structured in two phases, with Phase 1 costing \$36,000 and Phase 2-triggered if the measure is placed on the ballot-costing an additional \$30,000. Together, these consultant services are essential for assessing ballot viability and crafting compliant, effective ballot language.

With the Board's direction to move forward, the sequence of events would start immediately with the following:

1. Development and launch of polling (EMC Research)
2. Begin strategic and political landscape assessment (Clifford Moss)
3. Conduct refined fiscal and economic modeling for multiple threshold/rate scenarios (> \$5M, > \$10M, tiered) using assessor and market data
4. Draft and conduct legal review of draft ordinances and resolutions
5. Develop draft ballot language and public information materials
6. Return to Board with full ballot package and final recommendations

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel, Assessor County Clerk-Recorder's Office, Housing and Community Development, County Administrative Office, and District 5 Supervisor Office have been involved in this process.

FINANCING:

The combined initial cost for polling and strategic consulting is estimated at \$83,500, recommended to be funded from Board contingency leaving a remaining balance in contingencies of \$541,373. Additional costs associated with ballot preparation, County Counsel review, outreach materials, and staff time will be absorbed through current general fund contribution allocations.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

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

Link to the Strategic Plan:

<https://www.countyofmonterey.gov/home/showdocument?id=139569>

Prepared and approved by: Michael Beaton, Assistant County Administrative Officer, ext. 3835

Attachments: CliffordMoss Proposal; EMC Research Proposal; Resolution