

Social and Economic Justice Commission
Recommended Economic Justice Policy for Albany
Report to City Council

xx xxxxx 2012

Recommended policy: The City of Albany will seek to make a reduction or rebate of each tax and fee under its control available to low-income residents. For taxes or fees this cannot be achieved, the City will issue a statement explaining why and seek over time to change conditions in order to be able to implement such provisions.

Executive Summary

At least one out of seven Albany households is low-income according to Albany's criteria, and probably many more due to the qualifying income limits in the data sources used to generate this estimate being generally less than Albany's qualifying limits.

Albany's mission, in part, is to respond "to the needs of a diverse community." Differences in income are part of diversity. With three exceptions totaling a small portion of Albany's total tax burden on individual households, Albany's revenue measures do not respond to that diversity by providing exemptions, rebates, and/or reductions for low-income households. Further, Albany has no policy that systematically requires considering inclusion of such provisions in new revenue structures, let alone back implementing them into existing structures. Such a policy is needed for Albany to pursue its mission.

Implementing this policy would either reduce the City's revenue, or increase taxes for residents who are not low income.

Background

Albany currently levies a property tax for service on three different debts (which appear as one lump sum on property tax bills), nine different special property tax assessments (referred popularly as parcel taxes), a property transfer tax, a utility user tax, revenue from its solid waste franchise agreement, and various other revenue sources.

As shown on Table 1, the cost of just the property taxes a residence with an assessed value of \$180,000 is \$1,000 per year. Treasurer Denton indicates three of the parcel taxes have provisions for low-income residents: Library Services, Library Supplemental, . These taxes constitute less than 10% of the total property taxes for a small, newly purchased condominium in Albany, and considerably less for a newly purchased one bathroom, one bedroom house according to current purchase prices for such properties listed at redfin.com and trulia.com.

Table 1. Property taxes in 2011-12 on a property with an assessed value of \$180,000

Property Tax	Amount
Debt service (0.1628%)	\$293.04
City landscape 88-1	\$56.66
ALS (Measure N)	\$18.26
Paramedic supplement	\$66.94
Streets & storm drains	\$80.82
Library supplement	\$26.92
Library services	\$65.68
City landscape 96-1	\$51.76
Clean storm water	\$12.48
City sewer service	\$350.28
Total	\$1,022.84
Low income exemption/rebate	\$173.42
Low income total	\$849.42
% reduced	17%

Upon purchasing a residence, Albany’s current property transfer tax is \$12.60 per \$1,000 of purchase value. Of the hundreds of property transfer taxes for different cities in California, Albany’s is the fifth highest (<http://www.chicagotitletransfertax.com/>). This tax includes no low-income provision. The tax is over \$2,000 on a \$180,000 property purchase, which is toward the lower end sales price for a condominium in Albany recently.

An exemption from these parcel taxes is available for low-income residents that own their residence and a rebate for Albany residents who do not. Table 2 lists the maximum incomes to qualify for the 2007-2008 year, the most recent available on the City’s web site.

Table 2. Maximum annual income to qualify for exemption from Albany’s library-funding parcel taxes

Household Size	Annual Income
1	\$30,150
2	\$34,450
3	\$38,750
4	\$43,050
5	\$46,500
6	\$49,950

7	\$53,400
8	\$56,850

At least one out of approximately seven residential power accounts in Albany qualified for California Alternate Rates for Energy (CARE) in 2010, the most recent data provided by PG&E. CARE reduces the cost of power for low-income customers. The phrase “at least” is used here and throughout this report because it is doubtful that all everyone that could qualify has actually applied. Table 3 lists the maximum annual income to qualify for CARE this year.

Table 3. Maximum annual income to qualify for CARE

Household Size	Annual Income
1	\$22,340
2	\$30,260
3	\$38,180
4	\$46,100
5	\$54,020
6	\$61,940
7	\$69,860
8	\$77,780

Tables 2 and 3 cannot be directly compared because presumably Albany’s maximum qualifying income limits are higher now. Presuming an increase in Albany’s limits in accord with the Consumer Price Index for the Bay Area suggests Albany’s qualifying limits are higher than the CARE limits for households of one to three members, about the same for households with four members and lower for larger households. Given that the average size of an Albany household is almost certainly less than 4 members, the portion of households that qualify for CARE is less than the percentage of households that are low-income according to Albany’s criteria.

In 2010, 15% of students qualified for free meals and 4% for reduced price meals for a total of 19% qualifying for free or reduced price meals (data and a chart, including temporal trends, are available at <http://albany.patch.com/articles/you-said-it-students-needing-free-or-reduced-lunches-are-increasing-in-albany>). Table 4 shows the maximum annual qualifying income for free meals and Table 5 for reduced meals.

Table 4. Maximum annual income to qualify for free student meals

Household Size	Annual Income
1	\$14,157

2	\$19,123
3	\$24,089
4	\$29,055
5	\$34,021
6	\$38,987
7	\$43,953
8	\$48,919

Table 5. Maximum annual income to qualify for reduced price student meals

Household Size	Annual Income
1	\$20,147
2	\$27,214
3	\$34,281
4	\$41,348
5	\$48,415
6	\$55,482
7	\$62,549
8	\$69,616

At least one out of five Albany public school students is in a family qualifying for free or reduced price meals. A comparison of Tables 5 and 2 indicates the Albany’s low income threshold is far higher than the threshold to qualify for reduced price student meals, which in turn is much higher still than the qualifying income for free meals. This indicates far more than one out of five Albany public school students lives in a family considered low income by the City.

Students living out of district would not benefit from the proposed economic justice policy. Consequently it is useful to consider the percentage of students living in Albany that qualify for free or reduced price meals. This statistic is not readily available, but it can be bracketed using other data.

Approximately 12% of students lived outside of the District in the 2010/2011 school year (enrollment report posted with <http://albany.patch.com/articles/out-of-district-students-a-qa-with-albany-superintendent-marla-stephenson>). If all of Albany public school students living outside the District live in family qualifying for student meal assistance, then at least one out of thirteen students living in the District lives in low-income family according to the meal assistance income criteria. If none of the students living outside the District lives in a family qualifying for meal assistance, then at least one out five students in the District lives in a family qualifying for meal assistance.

The reality is likely somewhere in between, such as one out of nine students lives in a low income family residing in Albany. The proportion of students living in families qualifying as low-income according to Albany's criteria is almost certainly much higher, which is in accord with the CARE statistics.

Pros

“The City of Albany is dedicated to maintaining its small town ambience, responding to the needs of a diverse community, and providing a safe, healthy and sustainable environment.”

City of Albany Mission Statement

Differences in income are part of diversity. Consequently Albany, for its part, needs to recognize this diversity when structuring the costs it imposes on residents in the form of taxes and fees. The implementation of the proposed policy would fulfill this portion of the intent of Albany's mission statement by making it both a more viable place to live for low-income residents currently in the City as well as a more viable place to move to for prospective new low-income residents.

For instance, if the recommended policy had been in place, Albany would have requested a low income solid waste fee reduction earlier in its recent negotiations with Waste Management. Instead, Albany only entered this request into the negotiations in the last month of an approximately year-long negotiation. This occurred at the ad hoc suggestion of a citizen during one of the Council's last considerations of the contract negotiations. The City was not able to successfully negotiate for the low income provision at this late time.

As a consequence the solid waste hauling rate increased by about \$130 per year, which was 45%, upon approval of the new contract, with no relief for low income residents (<http://albany.patch.com/articles/lofty-climate-goals-new-services-lead-to-higher-waste-rates>). While it is not possible to know if a low income provision could have been successfully negotiated if the request had been included at the outset, the existence of such a provision in Emeryville suggests that it could have (<http://emeryville.wm.com/residential.asp>).

Cons

Implementation of the recommended policy will either decrease revenues or require non low-income residents to pay higher taxes. Implementation of the policy may require additional staff resources to administer, however if Albany's current low-income exemption/rebate program is effectively reaching Albany's low-income residents, this should be minimal as a single process could be used to qualify residents for all available exemptions, reductions, and rebates.

Acknowledgment

Albany's Treasurer, Kim Denton, kindly identified which property taxes provide a low income exemption/rebate, the debts upon which service is being collected through property taxes, and suggested the means to secure the property tax information presented in Table 1. The Commission appreciates her time sharing this information.