



# City of Emeryville

CALIFORNIA

## MEMORANDUM

**DATE:** January 18, 2022  
**TO:** Christine Daniel, City Manager  
**FROM:** Sheri Hartz, City Clerk  
**SUBJECT:** City Council Consideration of Survey Results and Direction Concerning Revenue Measure Development for Voter Consideration

### RECOMMENDATION

Staff recommends that the City Council:

- A. Review and discuss results of a community survey assessing placement of local tax measures before the voters in June or November of 2022; and,
- B. Provide direction on the content of legislation that could be approved at a future City Council meeting placing a specific ballot measure and ordinance proposal before the voters of the City of Emeryville in June 2022 for a parcel tax to support maintenance of parks, playgrounds, trees, lighting, sidewalks and streets.

### BACKGROUND

At the November 2, 2021 City Council meeting, the City Council adopted a Resolution authorizing the City Manager to execute a contract with Clifford Moss to assist the City in assessing and developing possible revenue measures for the 2022 election cycle. The survey was conducted in December and the results will be presented at the January 18, 2022 meeting by representatives of FM3, the subconsultant that conducted the research.

The City has seen General Fund revenue shift and decrease over time due to changes in the economy, and more recently because of the economic slowdown associated with the global pandemic. The City's primary revenue sources are Transient Occupancy Tax (TOT), Sales Tax and Business License tax. All of these are uniquely vulnerable to economic fluctuations. At the same time as revenue has declined, the City is projecting increasing operational and personnel costs, including the funding of existing Unfunded Actuarial Liabilities, thus leading to projected budget deficits.

The City faced a structural deficit in the current fiscal year as well as the past year. Addressing these required the use of one-time funds and deferral of capital projects to bridge the gap between revenues and expenditures. In spring 2021, the Budget and Governance Committee requested that staff analyze some options for the City to increase

revenue, including possible revenue measures to be placed on the ballot in the 2022 election cycle. The primary election will be held in June 2022 and the general election will be held in November 2022.

## **DISCUSSION**

At its October 14, 2021 and December 9, 2021 meetings, the Budget & Governance Committee discussed alternatives for revenue measures to place before the voters. One measure could be a parcel tax focused on supporting City-wide maintenance activities as specifically described in the measure. This would be a special tax, would require 2/3 voter approval (66.7% support) and could appear on the June 2022 ballot. Another measure could modify the City's real property transfer tax to provide for increased tax rates for the sales of higher value properties. This would be a general tax that could appear on the November 2022 ballot, requiring a simple majority to pass. More details on each of these approaches follow.

### **Parcel Tax**

The specific parcel tax option presented to the Budget & Governance Committee in December consisted of a \$75 per "taxable unit" structure that would generate approximately \$2.9 million in the first year after approval, growing by 5% each year until it reached an annual revenue yield of \$4 million annually. A single-family home would be one taxable unit (thus paying \$75 per year), a duplex two taxable units (\$150 per year), a triplex three taxable units (\$225 per year), and a four-plex four taxable units (\$300 per year). For multi-family buildings of five units and above, and for commercial and industrial properties, the tax would be based on 63 taxable units per acre of property. Thus a 2 acre property would pay \$9,450 per year.

As noted above, the tax would be a special tax for the specific purpose of paying for the costs of maintenance of the public realm including items such as parks, playgrounds, trees, lighting, sidewalks and streets.

If the City Council decided to place this parcel tax measure proposal on the June 2022 ballot, staff would recommend the Council consider the following language for the ballot question, which is generally the language that was tested in the voter survey.

**EMERYVILLE SAFE STREETS/ NEIGHBORHOOD PARKS MEASURE:** Shall the City of Emeryville measure to fix potholes; improve street/ sidewalk safety for drivers, cyclists, and pedestrians; provide safe routes to school for children; plant trees; renovate/ improve the safety of parks/ playgrounds, with an annual parcel tax of \$75 per single-family residence or taxable unit of property, increasing 5% annually for the first five years, collecting \$2,900,000 the first year, continuing until ended by voters, be adopted?"

If the Council wished to pursue this local revenue measure, staff would work with outside counsel to draft a corresponding ordinance and the accompanying legislation, including final ballot language, to place the measure before the voters. If the Council wished to place this on the ballot in June 2022, staff would return with a draft ordinance at the February 15, 2022 City Council meeting, and with the necessary election legislation at the March 1, 2022 City Council meeting. The Council must take action by March 11, 2022 if it wishes to place an item before voters at the June election.

### Real Property Transfer Tax Modification

In 2014, the voters of Emeryville approved Measure V, a tax on the sale and transfer of real property. The tax rate established by Measure V is \$12 per \$1,000 of sale or transfer value. In recent years both Berkeley and Oakland among others have approved tiered rate structures for their transfer taxes. These tiered structures increase the rate of the tax as the sale or transfer value increases. The Budget & Governance Committee discussed various options including the one used below in the recent voter survey. This structure holds the tax rate flat at \$12 per \$1,000 for sales or transfers valued below \$1 million, increases the rate to \$15/\$1,000 for sales/transfers between \$1 million and \$2 million, and then to \$25/\$1,000 for sales/transfers above \$2 million.

The following ballot question was tested in the City's December voter survey to inform the Council's discussion about whether to place this type of general tax measure on the ballot in November 2022:

"Shall the measure to fund general City services including fire/ emergency response/police; street/ sidewalk/ park maintenance; water pollution prevention; disaster preparedness; affordable housing; senior/ childcare/ recreation services, by increasing the City of Emeryville Real Property Transfer Tax to \$15 per thousand for property sales between \$1,000,000 and \$2,000,000 and \$25 per thousand for property sales above \$2,000,000, raising \$5,000,000 annually until ended by voters, with citizen oversight, audits, and public disclosure of all spending, be adopted?"

The transfer tax can be a sizeable revenue source for the City. However, it is a volatile revenue stream due its dependence on the volume of property sales in any given year. The estimate of \$5 million per year in revenue from this source is based on historical averages, but again, this is a relatively unpredictable revenue stream. Accordingly, the City Council's current fiscal policy sets aside commercial transfer tax revenue for one-time expenditures such as capital projects or paying down accumulated pension obligations. Should the City Council wish to place this type of measure on the November ballot, it would need to take action to do so in July 2022.

### Results of Recent Polling

In anticipation of the City Council considering the possibility of placing a revenue measure before the voters, the services of Clifford Moss were engaged. Clifford Moss subcontracted with FM3 to conduct a survey of likely voters. The survey was conducted in December 2021. A representative from FM3 will be available at the January 18, 2022 Council meeting to discuss the results of the survey.

FM3 conducted a statistically valid and representative survey, using a hybrid telephone/email/texting methodology, of registered voters in the City of Emeryville.

At the time of publication of this report, FM3 has not yet concluded its analysis of the survey results. An overview of the specific results will be provided when the Agenda packet is republished on January 13, 2021. Nevertheless, FM3 has provided preliminary informal results of voters' receptivity to the two measures discussed above.

Generally speaking, voters are supportive of both measures. However, the parcel tax alternative requires 2/3 voter approval (66.7% support) as it is a special tax. That level of support may be challenging to achieve at the June 2022 election.

The modifications to the transfer tax would be a general tax and thus require a simple majority threshold (50% +1 support) to pass. That level of voter support is likely to be more easily achieved. A general tax may only appear at a general election, which would be November 2022.

If there is interest in pursuing any measures, substantial public information would need to be provided to voters and stakeholders to inform them about the City's fiscal needs. A super-majority threshold (66.7% voter support) is required for approval of a special tax and a simple majority approval (50% + 1) is required for a general tax.

### **FISCAL IMPACT**

The cost of placing a measure on the June 2022 ballot is estimated to be approximately \$50,000. Funds are available in the Elections account 010-11-031 for this purpose.

### **STAFF COMMUNICATION WITH THE PUBLIC**

Staff has had no communication with the public on this matter. FM3 conducted the community survey described above in December 2021.

**PREPARED BY:** Sheri Hartz, City Clerk

**APPROVED AND FORWARDED TO THE  
CITY COUNCIL OF THE CITY OF EMERYVILLE:**



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Christine Daniel, City Manager

**ATTACHMENTS**

- Attachment A: Survey Results Presentation