



**CITY OF HEALDSBURG  
CITY COUNCIL AGENDA STAFF REPORT**

**MEETING DATE:** June 20, 2016

**SUBJECT:** Increase Transient Occupancy Tax by 2% for Affordable Housing and Related Programs

**PREPARED BY:** David Mickaelian, City Manager

**STRATEGIC INITIATIVE(S):**

Quality of Life  
Fiscal Responsibility

**RECOMMENDED ACTION(S):**

Adopt a resolution establishing November 8, 2016 as the date for a municipal election on a proposed ballot measure adjusting the City's existing Transient Occupancy Tax ("TOT") by a 2% increase as a special tax for provision of affordable housing services and programs, establishing policies and procedures in connection therewith, requesting the County Clerk to conduct the election and requesting the City Attorney to prepare and file an impartial analysis of the proposed ballot measure

**BACKGROUND:**

The Community Housing Committee ("CHC") was established in the summer of 2015 with the first priority of drafting language for a Growth Management Ordinance ("GMO") amendment to be placed before the voters in 2016 to incentivize the construction of affordable and workforce housing. Over the course of the last 14 public meetings and five workshops, the CHC and the City Council have identified an urgent need for a permanent source of funds to meet the City's current and future affordable housing needs and objectives by providing financial assistance and services, and creating programs to increase, improve and preserve the City's rental and for-sale housing stock affordable to households of extremely low, very low, low, moderate, and middle-income. As a result of this finding, the CHC has made funding affordable housing a Priority Recommendation in its Draft Housing Action Plan. Over the course of the last 10 months different options have been presented about funding affordable housing, including TOT and Measure V.

**DISCUSSION/ANALYSIS:**

At the May 16, 2016 City Council meeting, Council directed staff to come back with options for a ballot measure to increase TOT, giving the City Council the authority to increase the TOT

from the current maximum rate of 12% of the room rent to a maximum of 14% of the room rent. In November 2002, a public vote allocated the existing 10% TOT for Community Services activities. In November 2004, a public vote approved an additional 2% TOT increase to be allocated to the General Fund upon reauthorization by the City Council every other year. The Council now seeks voter approval of an Ordinance that will cause any revenue generated from an increase in the amount of TOT beyond the current maximum rate of 12% to fund affordable housing programs and services. If the voter-approved Ordinance passes, the City of Healdsburg's TOT rate will be the highest in the County.

The following chart addresses the current TOT rates in Sonoma County and neighboring jurisdictions.

Napa County	City	TOT	Additional Tourism Assessment fees	Total
	American Canyon	12%	2%	14%
	Calistoga	12%	2%	14%
	Napa	12%	2%	14%
	St. Helena	12%	2%	14%
	Yountville	12%	2%	14%
Marin County	City	TOT	Additional Tourism Assessment fees	Total
	Corte Madera	10%	2%	12%
	Fairfax	10%	2%	12%
	Larkspur	10%	2%	12%
	Mill Valley	10%	2%	12%
	Novato	10%	2%	12%
	San Rafael	10%	2%	12%
	Sausalito	12%	0%	12%
	Tiburon	10%	2%	12%
Monterey County	City	TOT	Additional Tourism Assessment fees	Total
	Carmel	10%	CCFD ( 4.15%, 1.6% or .8% depending on location of hotel) + TID (1% )	11%-15.15 %
	Monterey	10%	CCFD ( 4.15%, 1.6% or .8% depending on location of hotel) + TID (1% )	11%-15.15 %
San Francisco County	City	TOT	Additional Tourism Assessment fees	Total
	San Francisco	14%	1% or 1.5% depending on location	15% - 15.5 %

Sonoma County	City	TOT	Additional Tourism Assessment fees	Total
	Cloverdale	10%	2%	12%
	Petaluma	10%	2%	12%
	Rohnert Park	12%	2%	14%
	Santa Rosa	9%	3% + 2% ( only hotels generating over \$350,000)	12% - 14%
	Sebastopol	10%	2%	12%
	Sonoma	10%	2%	12%
	Windsor	12%	2%	14%

Council directed staff to have the additional 2% tax appear on the ballot as a special tax, requiring a 66.7% affirmative vote. As noted, the funds would be allocated to affordable housing programs and services. In the past redevelopment funds were permissibly used for a variety of affordable housing purposes including, without limitation, land acquisition, land donation, building acquisition, building rehabilitation, housing construction, maintaining the community's supply of mobile homes, providing housing subsidies to lower income residents, providing financing to developers, preserving existing public subsidies for developments facing conversion to market rates, providing emergency homeless shelters, and related administrative expenses, provided that the housing was affordable to households meeting income criteria. The TOT special tax funds could be used for such purposes as well as for transitional housing services and similar programs. However, a special tax would mandate the use of the 2% for affordable housing as defined in the City's Land Use Code, as amended from time to time. Currently the City's Land Use Code recognizes affordable housing with those earning between 0 to 120% of the Average Median Income ("AMI") for Sonoma County. As part of the Housing Action Plan, the CHC and staff are proposing expanding the AMI level to up to 160% of AMI. In essence, the programs listed above would be available to those within that income level.

Council also has the option of having the TOT tax appear on the ballot as a general tax requiring 50% + 1 affirmative vote. In this case the City could use the funds for affordable housing programs and for other housing-related programs, such as rent stabilization, that were not necessarily limited to occupants meeting the extremely low-income through middle-income categories. A general tax would leave room for the 2% tax to be used for other things, even if Council stated its expectation that it would be used for affordable housing.

The final date to submit a measure to the County is August 12, 2016. The last regularly scheduled Council meeting before this date is the regular meeting of August 1, 2016. If the Council does not approve the proposed resolution and wants to consider other funding options requiring voter approval, it is recommended that the entire alternative process be initiated in time to meet election deadlines.

#### **ALTERNATIVES:**

The City Council could approve a TOT increase as a general tax requiring a simple majority vote, which would not be allocated for any special purpose but could be prioritized for affordable and/or other housing or social service program uses following approval of such measure.

Alternatively Council could reprioritize allocation of funds from Measure V, which sunsets in 2023, for affordable housing.

**FISCAL IMPACT:**

Currently the City has \$3,015,089 set aside for affordable housing (of which \$1,000,000 is from the Saggio Hills Development Agreement); an additional increase to the TOT is estimated to generate \$530,123 for fiscal year 2016-17 and \$546,012 in revenue for fiscal year 2017-18 for affordable housing programs and services.

**ENVIRONMENTAL ANALYSIS:**

Under California Environmental Quality Act (“CEQA”) Guidelines section 15378(b)(4), the tax is not a project within the meaning of CEQA because it creates a government funding mechanism that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. If any project is to be funded by revenue from the approved tax, analysis will be performed for the project prior to approval in accordance with the then-applicable CEQA provisions.

**ATTACHMENT(S):**

Resolution  
Exhibit 1 - TOT Ordinance