



## *Memorandum*

TO: Legislation Committee

DATE: September 2, 2016

FR: Executive Director

W. I. 1131

RE: Local Transportation and Affordable Housing Ballot Measures for the Cities of Albany, Belmont, Berkeley, East Palo Alto, Fairfax, Fairfield, Martinez, Mill Valley, Pleasant Hill, San Mateo, Suisun City, Vacaville, and Vallejo

### **Background**

In addition to the various local ballot measures proposed for your endorsement in July 2016, over a dozen Bay Area cities and another county have placed funding measures designed (at least in part) to benefit transportation and affordable housing on the November 2016 ballot. While several are dedicated, special taxes subject to a two-thirds vote, most are general taxes or bond measures that provide flexibility in the use of funds, but have highlighted housing or transportation improvements as a priority. We are not recommending support for every local general sales tax measure on the ballot within the nine Bay Area counties, only those for which the ballot language indicates that roadway infrastructure or affordable housing are a priority in the use of funds, or in the case of tax extensions, where prior budgets appropriated funds for those purposes.

### **Recommendation: Support**

#### **Discussion**

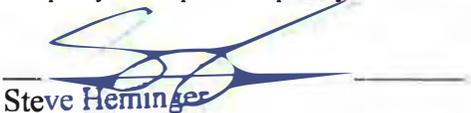
While MTC does not often endorse general taxes, we supported Measure H, Solano County's general ½-cent sales tax measure on the June 2016 ballot, which was accompanied by Measure G, an advisory measure indicating the intent to spend the funds on transportation improvements. Unfortunately, while Measure G received 65 percent support, Measure H did not exceed the majority vote threshold required for passage. As a result, numerous Solano County cities are attempting to raise general taxes on their own, with transportation listed as one of the potential eligible expenditures.

Given the enormous local roadway maintenance backlogs and affordable housing needs regionwide, compounded with the lack of adequate funding at the state and federal levels, staff recommends that the Commission endorse the following local measures, each of which is either a special tax or bond measure dedicated to transportation or affordable housing, or a general tax in which transportation or affordable housing are listed in supporting materials or the ballot question itself as a priority.

**Bay Area Local Ballot Measures — General & Special Taxes & Bond Measures**

City	Funding Type/Rate & Duration	Revenue Estimate	PCI*	Eligible Expenditures
Albany	\$58.07 Parcel tax (10 years)	\$300,000 annually	57	Sidewalk improvements
Belmont	0.5% Sales Tax (30 years)	\$1.3 million annually	55	Broad eligibility; street repairs listed as a priority
Berkeley	General Obligation Bond	\$100 million (one-time)	58	Capital improvements, streets, sidewalks and storm drain upgrades listed as a priority.
Berkeley	Gross Receipts Tax on rental income 1.8% (Permanent)	\$4 million annually	NA	Affordable housing and homelessness prevention
East Palo Alto	0.5% Sales Tax (Permanent)	\$1.8 million annually	58	Broad eligibility; street repairs listed as a priority
Fairfax	0.75% Sales Tax (0.25% increase, 10-year extension)	\$665,000 annually	65	Broad eligibility; sidewalk repairs, pedestrian trails and street repaving listed as priority
Fairfield	1% Sales Tax (15-year extension)	\$16 million annually	71	Broad eligibility; street repairs listed as a priority
Martinez	0.5% Sales Tax (15 years)	\$2 million annually	51	Special tax, 100% dedicated to roadway repair.
Mill Valley	\$266 per home Municipal Service Tax (10 year extension)	\$1.8 million annually	60	Special tax; Dedicated to fire safety, street maintenance and road repair
Pleasant Hill	0.5% Sales Tax (20 years)	\$4 million annually	65	Broad eligibility; including street repairs and bike paths
San Mateo	0.5% Sales Tax (20-year extension)	\$80 million annually	71**	Broad eligibility; affordable housing listed as a priority
Suisun City	1.0% (10 years)	\$1.8 million annually	55	Broad eligibility; including street repair and maintenance
Vacaville	0.75% (up from 0.5%) (20-year extension)	\$15 million annually	69	Broad eligibility; including street repair
Vallejo	1% (Permanent)	\$14 million	49	Broad eligibility; road repairs listed as priority

\*PCI — Pavement Condition Index. \*\*San Mateo’s measure does not specify road repairs as a priority.



Steve Heminger

**Attachment:**

- Attachment A: Local Ballot Measures by Jurisdiction

SH: rl

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## **Local Ballot Measures by Jurisdiction**

### **Albany Parcel Tax**

The City of Albany has placed on the ballot a parcel tax that would raise approximately \$300,000 per year for 10 years. The tax rate is based on the size of the parcel and is estimated to cost the average homeowner \$58/year. Units owned and occupied by low-income persons are exempt. Like a number of Bay Area cities, property owners in Albany are responsible for repairing the sidewalk in front of their property. However, many sidewalks are in disrepair, creating safety hazards for pedestrians. The measure doesn't alter the liability of homeowners, but the city would use the parcel tax revenue to repair the biggest problem areas.

### **Belmont**

The City of Belmont has placed on the ballot a 0.5 percent general sales tax with a duration of 30 years. The measure would raise approximately \$1.3 million/year. The staff report notes that a capital needs assessment for the City identifies nearly \$100 million in unmet street and storm drain infrastructure needs alone, and continued deferral of critical maintenance will only increase these needs in the future. The city has 69 miles of street pavement in Belmont in deficient "at risk" condition, with an average PCI of 55, placing it 96<sup>th</sup> out of 109 cities regionwide.

### **Berkeley**

The City of Berkeley has placed a \$100 million bond on the ballot for improvements to the city's infrastructure and facilities, including rehabilitation of local streets, sidewalk repairs, and improvements to storm drains, parks, senior and recreation centers and other facilities. The staff report notes that city staff have identified \$358 million in capital and maintenance needs. The measure sets a maximum interest rate of 6 percent.

The City has also placed on the ballot a gross receipts tax of 1.8 percent applicable to rental income in order to generate funding for affordable housing. It is estimated to raise approximately \$4 million per year, helping to finance an estimated 45 new affordable rental units per year. The measure is an increase in an existing tax from \$10.81 for every \$1,000 in gross receipts to \$28.80. The tax increase would only apply to landlords who own five or more rental housing units. To avoid discouraging new construction, the measure exempts new developments from the tax for the first 12 years, starting with initial occupancy. It also exempts rental income from units occupied by long-term tenants with moderate rents.

### **East Palo Alto**

The City of East Palo Alto has placed on the ballot a general sales tax increase of 0.5 percent from 9.0 percent to 9.5 percent in perpetuity. The tax is estimated to raise approximately \$1.8 million per year. Funds could be used to help maintain rapid police-response times and the number of police officers patrolling neighborhood streets, as well as repair streets and potholes, update drinking water and storm-drain infrastructure, enhance youth and senior programs and maintain other important city services, according to the city. East Palo Alto's local roads and sidewalks require about \$28 million in repairs according to city staff.

### **Fairfax**

The Town of Fairfax has placed on the ballot a 10-year extension of Measure D, a temporary 0.5 percent sales tax approved in 2011, which is set to expire on March 31, 2017. The measure generated approximately \$425,000 in the current fiscal year (about 5 percent of the town's operating budget) and is used for general operations (e.g. police, fire) and capital projects (e.g. streets). Measure C, on the November 2016 ballot would extend the tax by 10 years and raise it by an additional 0.25 percent.

### **Fairfield**

The City of Fairfield has placed on the ballot a 15-year extension of Measure P, a 1 percent general sales tax approved by the voters in 2012 that currently comprises 20 percent of the city's General Fund. Without an extension in November, Measure P will expire on March 31, 2018. According to a staff report, of the total \$16 million in funding generated per year, 9 percent were used for street maintenance and repair. The resolution and ballot question for the proposed measure both highlight that the funds are needed to preserve funding to fix potholes and repair streets.

### **Martinez**

The City of Martinez has placed a special 0.5 percent 15-year sales tax on the ballot, with the funds dedicated to road maintenance and improvements. The city has 122 miles of local streets, which are currently rated just 2 points above "poor," with a Pavement Condition Index (PCI) of 51. According to a city-commissioned report by Quality Engineering Solutions, Inc., if nothing is done to augment funding over the next five years, the city's deferred maintenance backlog is forecast to jump from \$37 million to \$66 million, while its PCI would fall to 44.

### **Mill Valley**

The City of Mill Valley has placed on the ballot an increase and extension (with a 2 percent annual adjustment) of its Municipal Service Tax, a special property assessment (\$266 per residential single family home, with different rates for multifamily and commercial property) for the exclusive purpose of fire safety, street maintenance and road repair. The existing tax is set at \$195 per single family residence and expires in 2018. The proposed tax is estimated to generate approximately \$1.8 million annually. Approximately 75 percent of MST funds are used for street improvement projects, with the remainder used for fire prevention. Since 2014, Mill Valley has assigned General Fund resources to street improvements. As a result, the streets have improved from a PCI of 58 (At Risk) in 2014 to a PCI of 64 (Fair) in 2016.

### **Pleasant Hill**

The City Council placed a 0.5 percent 20-year general sales tax on the ballot. The measure would generate over \$4 million/year for the City's General Fund. Key items highlighted in the staff report include the city's significant deferred maintenance, unfunded new infrastructure projects, and a library that has significant structural and safety issues. The staff report also notes that the funds could be used for various services, aligned with community priorities, including repaving and maintaining neighborhood streets, fixing potholes, maintaining and upgrading the City's storm drain system, adding new sidewalks and bike paths, constructing a new community library, and funding other city projects. The recently adopted 5-year Capital Improvement Plan identified over \$42 million in unfunded infrastructure needs, as well as \$15 million in deferred street maintenance and \$9 million in backlogged storm drain system needs.

### **San Mateo**

The San Mateo Board of Supervisors has placed on the November ballot a 20-year extension of Measure A, a 10-year 0.5 percent general sales tax approved by the voters in 2012. The measure generates approximately \$80 million per year. The ordinance placing the measure on the ballot specifically calls out affordable housing and transit services for the elderly and people with disabilities as two essential services it seeks to preserve. It also states that the board has been considering using general funds to develop long-term solutions to the local affordable housing crisis. Passage of the measure will give the county the option to bond against the sales tax funds to support the construction of affordable housing or use the funds to purchase existing properties to dedicate toward affordable housing, among other local priorities.

### **Suisun City**

The City of Suisun has approved a 1 percent general sales tax for the November ballot, estimated to generate \$1.8 million annually. The measure is proposed for 10 years. The staff report for the measure highlights that due to budget constraints, the city has had to defer important roadway maintenance, which is evident by its CPI of 55. The resolution placing the measure on the ballot, and the ballot question itself notes that funds will be used for a variety of purposes, including fixing potholes, maintaining streets and streetlights, among other priorities.

### **Vacaville**

The City of Vacaville has placed on the November ballot a 20-year 0.75 percent general sales tax measure that would go into effect April 1, 2018. This proposed tax is a 0.50 percent increase above Measure M, approved by the voters in 2012 and scheduled to sunset in 2018. According to the staff report on the proposed measure, the city's 5-year forecast shows that without renewal of Measure M, the City will be in a deficit the year after it expires. If the city wants to continue to use local funds to support road repairs, as it has with Measure M, it needs this measure to pass. According to city staff, since Measure M was approved, the city has improved more than 10 million square feet of neighborhood streets. In Fiscal Year 2016/17, \$750,000 in Measure M proceeds has been reserved for a street repair contract.

### **Vallejo**

The Vallejo City Council has placed a measure on the ballot to extend in perpetuity Measure B, a 1 percent temporary general sales tax was approved by voters on November 8, 2011 and is set to expire in 2022. The measure raised approximately \$14 million in FY 2015-16, of which 17 percent was budgeted for road and infrastructure work; the remainder is budgeted for various other city functions, including additional police officers and firefighters.