



Office of the City Manager

Date: February 25, 2021  
 To: Budget & Finance Policy Committee  
 From: Dee Williams-Ridley, City Manager  
 Submitted by: David White, Deputy City Manager  
 Lisa Warhuus, Director of Health, Housing and Community Services  
 Subject: Measure P Update

**RECOMMENDATION**

Receive an update from city staff and provide direction on the allocation of resources to inform the Fiscal Year 2022 budget development process.

**BACKGROUND**

*Overview*

In 2018, City of Berkeley voters adopted [Measure P](#)<sup>1</sup>. Measure P increased the Real property transfer tax for ten years (and expires January 1, 2029) from 1.5% to 2.5% for property sales and transfers over \$1,500,000. The threshold of \$1,500,000 is required to be adjusted annually to capture the top 33% (approximately) of transfers. However, in no case shall any adjustment lower the threshold below \$1,500,000. To date, there have been no adjustments to the threshold.

Funds collected pursuant to Measure P are deposited into the General Fund and designated to programs and services that address homelessness. Since its adoption, the tax has generated the following revenues:

	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021 Year to Date</b>
Revenues	\$2,932,313	\$9,512,603	\$4,254,324

\*Year to date through December 31, 2020.

The purpose of this memorandum is to provide an update to the Measure P Forecast that informed the development of the Fiscal Year 2022 budget. This update includes revised revenue projections, updates to planned expenditures for a variety of programs,

<sup>1</sup> <https://www.cityofberkeley.info/uploadedFiles/Clerk/Elections/Transfer%20Tax%20-%20All%20Ballot%20Question%20and%20Full%20Text.pdf>.

recent action taken by the City Council and Budget and Finance Policy Committee regarding the Step-Up Housing Project at 1367 University, and future City program requirements (i.e., Homeless Response Team and No Place Like Home).

### *Updates to Measure P Forecast*

Attachment 1 consists of a revised forecast for Measure P. The following outlines the key revisions to the forecast:

- Revenue projections have been increased. The following table compares current and future fiscal year Measure P revenues at the time the Fiscal Year 2021 budget was adopted to what the City currently anticipates based on results for the first six (6) months of Fiscal Year 2021:

	<b>Fiscal Year 2021 Budget Adoption (June 2020)</b>	<b>Fiscal Year 2021 Revised Forecast (February 2021)</b>
Fiscal Year 2021	\$4,747,414	\$6,247,414
Fiscal Year 2022	\$3,000,000	\$6,247,414
Fiscal Year 2023	\$3,060,000	\$6,247,414
Fiscal Year 2024	\$3,121,200	\$6,247,414

Measure P revenue projections for Fiscal Year 2021 and beyond reflect staff's best estimates of what might happen at this point in time. Projected revenues will likely fluctuate and be adjusted as they are dependent on factors beyond the City's control.

- The following outlines changes to expenditures:
  - Expenditures for Pathways STAIR Center have been reduced by \$1,000,000 in Fiscal Year 2021 and Fiscal Year 2022 to reflect that the first \$1,000,000 of program expenditures will come from the State's Permanent Local Housing Allocation (PHLA) program. When the Fiscal Year 2021 budget was adopted, only \$1,000,000 in PHLA resources was allocated to Pathways STAIR, however, these resources are also available for Fiscal Year 2022. This is consistent with the action taken by City Council on July 14, 2020<sup>2</sup>.
  - Expenditures allocated to LifeLong Medical Care, the Outdoor Shelter program, and Training and Evaluation have been adjusted to reflect what is likely to be spent in Fiscal Year 2021 and what will be needed in Fiscal Year 2022. This

<sup>2</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/07\\_Jul/Documents/2020-07-14\\_Item\\_15\\_Permanent\\_Local\\_Housing\\_pdf.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/07_Jul/Documents/2020-07-14_Item_15_Permanent_Local_Housing_pdf.aspx).

helps to provide a better understanding of what resources will be available at the end of Fiscal Year 2021.

- 1367 University Avenue Step-Up Housing Project. On October 13, 2020, City Council approved an allocation of Measure P resources to support this housing project, subject to review and confirmation by the Budget and Finance Policy Committee<sup>3</sup>. On January 28, 2021, the Budget and Finance Policy confirmed the availability of Measure P resources for this project<sup>4</sup>. The annual resources needed for this project have been incorporated into the attached Measure P forecast, utilizing some of the funding previously allocated to permanent supportive housing.
- Homeless Response Team. This new program has been added to the Measure P forecast based on the action taken by City Council in adopting the AAO#1 on December 15, 2020. Beyond Fiscal Year 2021, resources will be needed to support this program and staff are in the process of evaluating resource needs.
- No Place Like Home (NPLH). A new line item for the No Place Like Home program has been added to the forecast. Approximately \$200,000 in resources will be needed for this program starting in Fiscal Year 2023. This need derives from action taken by City Council on January 29, 2019 in which the City Council authorized the City of Berkeley to participate in the State of California's No Place Like Home (NPLH) housing program and submit an application for funding the Berkeley Way Project (Resolution No. 68,747–N.S.)<sup>5</sup>. On December 10, 2019, Council again authorized an application to the NPLH Program for the 2001 Ashby Avenue project (Resolution No. 69,213–N.S.)<sup>6</sup>. Both projects were awarded funding under the NPLH program, which requires that the City commit to providing mental health services for residents of the funded units for at least 20 years. The NPLH program is a housing subsidy for people experiencing homelessness and have a mental illness and may or may not meet the eligibility criteria for City of Berkeley Mental Health Division services. Referrals to these units will be made through the Coordinated Entry System and Measure P resources would be needed permanently.

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<sup>3</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2020/10\\_Oct/Documents/2020-10-13\\_Item\\_16\\_Step\\_Up\\_Housing\\_Initiative\\_Allocation.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2020/10_Oct/Documents/2020-10-13_Item_16_Step_Up_Housing_Initiative_Allocation.aspx).

<sup>4</sup> <https://www.cityofberkeley.info/uploadedFiles/Clerk/2021-01-28%20Annotated%20Agenda%20-%20Budget.pdf>.

<sup>5</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/01\\_Jan/Documents/2019-01-29\\_Item\\_01\\_Authorize\\_Participation\\_in\\_State\\_of\\_California\\_No\\_Place\\_Like\\_Home.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/01_Jan/Documents/2019-01-29_Item_01_Authorize_Participation_in_State_of_California_No_Place_Like_Home.aspx).

<sup>6</sup> [https://www.cityofberkeley.info/Clerk/City\\_Council/2019/12\\_Dec/Documents/2019-12-10\\_Item\\_07\\_Jointly\\_Apply\\_for\\_No\\_Place\\_Like\\_Home.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2019/12_Dec/Documents/2019-12-10_Item_07_Jointly_Apply_for_No_Place_Like_Home.aspx).

CONCLUSION

With the current updates to revenue and expenditure projections, there are adequate resources to support all of the programs and services attributed to Measure P in Attachment 1 for Fiscal Years 2021 and 2022. However, beyond Fiscal Year 2022, there is cause for concern as city staff currently anticipates that there will not be adequate resources to support all of the programs and services aligned with Measure P. In addition, the uncertainty surrounding the revenue forecast is reason to constantly evaluate the programs and services that rely on Measure P in order to ensure that the City can reliably deliver important services to the community. To this end, city staff seeks the review and input of the attached Measure P forecast from the Budget and Finance Policy Committee.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with receiving an update on Measure P and providing direction to city staff.

CONTACT PERSON

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ATTAHMENTS

1. Measure P Forecast

## EXHIBIT 1 TRANSFER TAX -- MEASURE P PROGRAM PROJECTION

2/22/21 8:54 PM

	FY 2019 Actuals	FY 2020 Actual	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
<b>Revenues</b>						
<i>Beginning Fund Balance</i>		\$2,932,313	\$9,859,779	\$7,361,009	\$2,780,186	(\$2,889,595)
<i>Measure P Revenues (1)</i>	2,932,313	9,512,603	6,247,414	6,247,414	6,247,414	6,247,414
<i>Permanent Local Housing Allocation (FY 21)</i>	0	0	0	0	0	0
<b>Total Revenues and Balance of Funds</b>	2,932,313	12,444,916	16,107,193	13,608,423	9,027,600	3,357,819
<b>LESS: Total Expenses</b>	0	2,585,137	8,746,184	10,828,237	11,917,194	11,933,326
<b>Personnel Costs</b>	0	118,521	279,927	336,951	460,909	477,041
Finance: Accountant II (2)		0	152,965	158,319	163,860	169,595
Finance: Contract Staffing		38,266	11,734	0	0	0
HHCS: Community Services Specialist II (Filled) (3)		80,255	115,228	178,633	184,885	191,356
HHCS: 50% Senior Management Analyst (Requested) (4)		0	0	0	112,164	116,090
<b>Non-Personnel Costs/ Program Expenses</b>	0	2,466,616	8,466,257	10,491,285	11,456,285	11,456,285
Fire: 5150 Response & Transport (2) (5)	0	846,616	2,753,384	2,400,000	2,400,000	2,400,000
Dorothy Day House Shelter (6)	0	0	300,000	566,000	566,000	566,000
Dorothy Day House Drop In (6)	0	0	21,340	182,000	182,000	182,000
Pathways STAIR Center	0	0	1,200,000	1,499,525	2,499,525	2,499,525
No Place Like Home	0	0	0	0	200,000	200,000
Coordinated Entry System	0	0	0	1,442,426	1,442,426	1,442,426
BDIC Locker Program	0	0	25,000	50,000	50,000	50,000
LifeLong Medical - Street Medicine	0	0	50,000	525,000	525,000	525,000
YSA Tiny Home	0	0	117,000	78,000	78,000	78,000
DBA- Homeless Outreach Worker	0	20,000	40,000	40,000	40,000	40,000
Downtown Streets Team	0	0	225,000	225,000	225,000	225,000
Outdoor Shelter	0	0	300,000	850,000	615,000	615,000
COVID-19 Housing Solutions (8)	0	0	0	0	0	0
Permanent Housing Subsidies	0	0	1,501,078	1,600,000	1,600,000	1,600,000
1367 University Avenue Step Up Housing Project (9)	0	0	932,975	900,000	900,000	900,000
HHCS: Square One Hotel Vouchers	0	0	65,947	0	0	0
Training and Evaluation	0	0	0	133,334	133,334	133,334
Homeless Response Team	0	0	934,533	0	0	0
Berkeley Relief Fund	0	1,600,000	0	0	0	0
Fiscal Year Surplus (Shortfall)	2,932,313	6,927,466	(2,498,770)	(4,580,823)	(5,669,780)	(5,685,912)
Ending Fund Balance	<b>\$2,932,313</b>	<b>\$9,859,779</b>	<b>\$7,361,009</b>	<b>\$2,780,186</b>	<b>(\$2,889,595)</b>	<b>(\$8,575,507)</b>

## Notes:

Measure P: General Fund (Fund 011)/ Program Code 5002

(1). Revenues revised to reflect FY 20 actuals and revised projections part of FY 21 adopted budget.

(2). Approved as part of FY 20 budget.

(3). This position supports the Measure P Panel of Experts, monitors contracts with BACS, tracks and reports on outcomes of homeless programs and represents Berkeley at county-wide homeless coordinating meetings

(4). Responsibilities include processing contracts and payments for homeless contracts, tracks expenditures and assists in reporting to funders. Funding to be shared with Measure U1 as proposed and discussed at Land Use Policy Committee.

(5). Assumes 1,200 calls per year and a cost per call of \$2,000. Reimbursement levels will vary and may impact this estimated cost.

(6). Existing program. FY 20 represents partial year funding. FY 21 and thereafter represents full year funding.

(7). FY 21 and FY 22 expenditures reduced by \$1.0M for costs that will be covered by revenues from the City's allocation of Permanenet Local Housing Allocation funds.

(8). [Per Mayor's Recommended Adopted Budget for FY 21, STAIR Center Expansion \(\\$705,000\) and Safe RV Parking \(\\$100,000\) were combined for COVID-19 Homeless Solutions.](#) On December 15, 2020, City Council adopted FY 21 AAO#1 and reallocated these funds to the Homeless Response Team.

(9). Pursuant to Resolution 69,586-N.S. adopted by the City Coucil on October 13, 2020 and confirmation of resource availability by the Budget and Finance Policy Committee on January 28, 2020.