



Office of the City Manager

ACTION CALENDAR
June 27, 2017

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Jovan Grogan, Deputy City Manager
Subject: Companion Report: Allocation of U1 Funds by the City Council

RECOMMENDATION

1. Reaffirm that, as specified in Measure U1, the City Council shall receive and consider recommendations by the Housing Advisory Commission on funding and programs to increase affordable housing and protect Berkeley residents from homelessness, either annually or biannually.
2. Take no action with regard to committing to make findings that expenditures meet the goals of Measure U1.

FINANCIAL IMPLICATIONS

No immediate financial implications from the recommended actions.

CURRENT SITUATION AND ITS EFFECTS

The Housing Advisory Commission's (HAC) has recommended that that City Council take the following actions:

- **HAC Recommendation 1: As specified by Measure U1, the City Council shall receive and consider housing strategy recommendations from the Housing Advisory Commission prior to allocating any Measure U1 funds.**

Staff respectfully disagrees with this recommendation, as there may be instances where the City Council desires to allocate Measure U1 revenue in-between the HAC's annual or biannual review of funding and programs to increase affordable housing and protect Berkeley residents from homelessness. Consequently, staff recommends that Council reaffirm the existing language in Measure U1, which provides for the City Council to receive and consider recommendations by the Housing Advisory Commission "on funding and programs to increase affordable housing and protect Berkeley residents from homelessness, either annually or biannually, as the Commission deems appropriate in light of the City's budget cycle and other relevant funding cycles."

- **HAC Recommendation 2: When considering allocations for U1 funds, the City Council will make specific findings of how the spending meets the goals of Measure U1: improve housing affordability in Berkeley and protect residents from homelessness.**

Staff respectfully disagrees with this recommendation. Measure U1 states that “tax proceeds would be placed in the City’s general fund and could be used for any governmental purpose.” It is important that the City Council does not take actions that can be interpreted as treating Measure U1 revenue for specific (i.e. “special tax”) purposes.

BACKGROUND

On November 8, 2016, Berkeley voters adopted Measure U1, which amended the City’s business license tax ordinance (Berkeley Municipal Code Chapter 9.04) to permanently increase the gross receipts tax on owners of five or more residential rental units from 1.081% to 2.880%. Owners of five or more units would include persons with indirect interests in five or more units, such as through LLCs or partnerships. Tax proceeds are to be placed in the City’s general fund and could be used for any governmental purpose.

The measure also directed the Housing Advisory Commission to make recommendations on funding and programs to increase affordable housing and protect Berkeley residents from homelessness, either annually or biannually, as the Commission deems appropriate in light of the City’s budget cycle and other relevant funding cycles. The Commission’s recommendations are to be promptly published on the City’s web site and transmitted to the City Council. The City is required to consider the Commission’s recommendations and annually inform the Commission as to the extent to which it has implemented the recommendations.

ENVIRONMENTAL SUSTAINABILITY

The recommendation(s) in this report have no specific environmentally sustainability effects.

CONTACT PERSON

Jovan Grogan, Deputy City Manager, City Manager’s Office, (510) 981-7000
Zach Cowan, City Attorney, City Attorney’s Office, (510) 981-6950