



Councilmember Kate Harrison
Councilmember District 4

REVISED AGENDA MATERIAL

Meeting Date: December 19, 2017

Item Number: 38

Item Description: Budget Priorities for Short-Term Rental Taxes

Submitted by: Councilmember Harrison

We have revised this item to specify that the revenue generated from the Transient Occupancy Tax will be allocated beginning in FY2019 for the purposes stated in the resolution.

RESOLUTION NO. ##,###-N.S.

ESTABLISHING BUDGET PRIORITIES FOR EXPENDITURE OF SHORT-TERM RENTAL TAXES COLLECTED BY THE CITY PURSUANT TO BERKELEY MUNICIPAL CODE SECTIONS 7.36 AND 23C.22

WHEREAS, through the adoption of Ordinance No. 7.521-N.S. on February 28, 2017, the City Council clarified that short-term rentals are subject to the Transient Occupancy Tax; and

WHEREAS, the purpose of the Ordinance was to allow hosts to benefit from available space in their homes while, among other things, preventing long-term rental units from being replaced with short-term rentals, protect affordable housing units from conversion and generate City revenue to share City infrastructure cost and other public expenditures; and

WHEREAS, the proliferation of short-term rentals reduces the supply of housing in the City; and

WHEREAS, fees charged by short-term rental units can easily eclipse the rate charged by a standard rental unit, incentivizing the owners of short-term rental units to theoretically keep units empty; and

WHEREAS, Ordinance 7521-NS does not specify the programs to which the revenue generated from the Transient Occupancy Tax ought to be allocated; and

WHEREAS, the City's Housing Trust Fund helps to develop and preserve long-term below market rate housing for low, very low, and extremely-low income households, and receives funding from development fees and various other sources; and

WHEREAS, in accordance with BMC Section 23C.23.050 developers must either "Include On-Site Publicly Accessible Art valued at ~~4%~~ 1.75% of the Construction Cost" or "Pay an in-lieu fee of 0.80% of the Construction Cost to the City"; and

WHEREAS, the city will generate revenue to support administrative costs through the 2% monthly enforcement fee and from penalties imposed on violators of the provisions set forth in BMC 23C.22;

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that starting in FY2019, the City Manager shall allocate the 2% monthly enforcement fee and revenue generated from any associated penalties to staff costs; and

NOW THEREFORE, BE IT RESOLVED that starting in FY2019, staff costs as approved by the City Council that exceed the above enforcement fees and penalties shall be appropriated from the short term rental taxes collected pursuant to BMC Section 23C.22.050, Section H, with primary allocation of the rental tax to the purposes listed below:

1. Two thirds (66.7%) allocated to the Affordable Housing Trust Fund.
2. One third (33.3%) allocated to the Civic Arts Grant Fund.