



Office of the City Manager

December 19, 2017

To: Honorable Mayor and Members of the City Council

From: *DWR* Dee Williams-Ridley, City Manager

Subject: FY 2018 & FY 2019 Short Term Rentals and General Fund Allocations

Included on the December 5, 2017, Consent Calendar (continued to December 19th) was a report on the [Budget Priorities for Expenditure of Short-Term Rental Taxes](#) (Item #38). The item recommends that Council adopt a Resolution to allocate the General Fund revenue collected from Short Term Rental taxes to programs supporting affordable housing and the arts. Included in the Resolution were the following proposed allocations.

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

On December 5, 2017, staff committed to provide Council with additional information related to the FY 2018 & FY 2019 Adopted Budget and the General Fund revenue generated from Short Term Rentals.

At the May 2, 2017, Council Worksession, staff presented the FY 2018 & FY 2019 [Proposed Budget](#)¹. Slide #10 of the [Budget Presentation](#) (attached) details the General Fund Revenue streams including \$800,000 (FY 2018) and \$840,000 (FY 2019) projected General Fund line item revenue streams from Short Term Rentals. In addition, \$200,000 tied to a new dispensary was included in the Proposed Budget and reported in the Business License Tax Revenue line item. Even with these new General Fund revenue streams the City faced a \$10.3 million General Fund shortfall in the FY 2018 & FY 2019 initial Biennial Budget. The shortfall was addressed with short-term solutions and a reset of the Property Transfer Tax baseline from \$10.5 million to \$12.5 million. As discussed in the Proposed Budget presentation, and footnoted on page 10 of the Proposed Budget Book, the only General Fund revenue stream that was not included in the Budget was new revenue from the Rental Unit Business License Tax (U1).

¹ [https://www.cityofberkeley.info/Clerk/City_Council/2017/05_May/City_Council_05-02-2017_-_Special_Meeting_Agenda.aspx_\(Item_#38\)](https://www.cityofberkeley.info/Clerk/City_Council/2017/05_May/City_Council_05-02-2017_-_Special_Meeting_Agenda.aspx_(Item_#38))

The following table illustrates the General Fund allocations as proposed in the [Budget Priorities for Expenditure of Short-Term Rental Taxes](#) (Item #38)².

Proposed General Fund Allocations (Item #38)	Affordable Housing (66.3%)	Civic Arts (33.7%)	Proposed Total
FY 2018	\$ 530,400	\$ 269,600	\$ 800,000
FY 2019	\$ 556,920	\$ 283,080	\$ 840,000

The chart below provides the budgeted General Fund allocations to Affordable Housing and Civic Arts in the FY 2018 and FY 2019 Biennial Budget.

Budgeted General Fund Allocations	Affordable Housing	Civic Arts	Budgeted Total
FY 2018	\$ 272,738	\$ 979,157	\$1,251,895
FY 2019	\$ 177,977	\$ 830,702	\$1,008,679

It is important to reiterate that, in future years (starting in FY 2020), effective Short Term Rental program implementation requires resources to enable a multi-departmental team of staff to consistently manage the program, trouble-shoot as needed, provide customer service, make any changes to the ordinance as requested by Council, report on program outcomes, and conduct effective enforcement.

Staff will develop a refined estimate for the staff costs associated with the Short Term Rental program implementation and provide that to City Council with the FY 2019 Proposed Budget Update.

Attachment

cc: Jovan Grogan, Deputy City Manager
 Teresa Berkeley-Simmons, Budget Manager
 Ann Marie Hogan, City Auditor
 Mark Numainville, City Clerk
 Matthai Chakko, Assistant to the City Manager

² https://www.cityofberkeley.info/Clerk/City_Council/2017/12_Dec/City_Council_12-19-2017_-_Special_Meeting_Agenda.aspx

General Fund Revenue Streams

\$168.9M & \$171.5M

	PROJECTED FY 2018	PROJECTED FY 2019
Secured Property Taxes	\$49,968,636	\$50,718,165
Unsecured Property Taxes	\$2,767,684	\$2,809,200
Supplemental Taxes	\$1,100,000	\$1,116,500
Property Transfer Taxes	\$10,500,000	\$10,500,000
Sales Taxes	\$18,000,000	\$18,522,000
Utility Users Taxes	\$14,282,375	\$14,496,610
Transient Occupancy Taxes	\$7,969,633	\$8,089,178
Business License Taxes	\$18,451,191	\$18,727,959
Vehicle In Lieu Taxes	\$10,320,402	\$10,475,208
Soda Tax	\$1,721,456	\$1,747,278
Parking Fines-Regular	\$6,299,322	\$6,393,811
Parking Fines-Booting	\$204,000	\$207,060
Moving Violations	\$239,770	\$243,367
Interest Income	\$2,211,000	\$2,244,165
Ambulance Fees	\$4,473,720	\$4,563,194
Short Term Rentals	\$800,000	\$840,000
Franchise Fees	\$1,955,315	\$1,984,644
Other Revenues	\$9,402,116	\$9,543,148
Transfers	\$8,220,421	\$8,261,523
Total Revenues	\$168,887,041	\$171,483,011

