File #: 22-1137, **Version:** 1 **Item #:** A-4.

CC - ACTION ITEM: (1) Discussion and Consideration of Whether to Place a Ballot Measure on the November 8, 2022, General Municipal Election Ballot to Develop an Affordable/Workforce Housing Parcel Tax Ordinance; and (2) Direction to the City Manager as Deemed Appropriate.

Meeting Date: June 13, 2022

Contact Person/Dept: Onyx Jones, Assistant City Manager

Phone Number: (310) 253-6016

Fiscal Impact: Yes [] No [X] **General Fund:** Yes [] No [X]

Attachments: Yes [X] No []

Commission Action Required: Yes [] No [X] **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (06/08/2022)

Department Approval: John Nachbar, City Manager (06/08/2022)

RECOMMENDATION

Staff recommends City Council: (1) discuss and consider whether to place a ballot measure on the November 8, 2022, General Municipal Election Ballot for an Affordable/Workforce Housing Parcel Tax Ordinance; and (2) provide direction to the City Manager as deemed appropriate.

BACKGROUND

At the September 27, 2021, City Council meeting, there was support among City Council Members to move forward with the examination of an affordable housing ballot measure. It has been recognized there is a severe shortage of affordable housing, where cost burden is the most common housing problem experienced by both renters and owners of households. The lack of affordable housing has contributed to individuals experiencing homelessness within the City.

With the elimination of the Redevelopment Agency, City Council has expressed an interest in examining alternatives for incentivizing the production of very-low-, low- and moderate-income and workforce housing in Culver City to address the problem of housing affordability. The elimination of the Redevelopment Agency has also caused the disintegration of the only continual revenue source

through the Low- and Moderate-Income Housing Fund (LMIHF) for the support of affordable housing programming. The Housing Division currently provides a total of 42 programs that are supported with the repayment to Culver City of deferred LMIHF and Supplemental Educational Revenue Augmentation Fund (SERAF) payments, which will be fully repaid in FY 2022/2023. To replenish these funds, City Council recently approved an Inclusionary Housing Program and Linkage Fee as mechanisms to create a funding stream for affordable housing programming. Unfortunately, these mechanisms are not enough, and a majority of the City Council at the September 27, 2021, Council Meeting asked staff to investigate ballot measure options for sustainable funding for affordable and workforce housing programs.

The Culver City Unified School District (CCUSD) has also approached the City to enter a partnership to produce affordable and workforce housing for CCUSD employees on CCUSD-owned land.

At the January 10, 2022, meeting, City Council directed staff to conduct a survey on an Affordable/Workforce Housing Parcel Tax Ballot Measure and created an Affordable/Workforce Housing Ad Hoc Subcommittee appointing Council Member Alex Fisch and Council Member Yasmine -Imani McMorrin thereto.

DISCUSSION

A ballot measure for an Affordable/Workforce Housing Parcel Tax Ordinance could seek voter approval for the development of low-income housing units or other housing programs as designated in the ordinance. Under State law, obtaining such advance voter approval would facilitate the City's ability to structure Affordable/Workforce Housing developments to best suit the needs of the Culver City's residents. The feasible funding source would be an annual parcel tax levied on the property tax roll.

As previously discussed in the January 10, 2022 Staff Report, a parcel tax requires 2/3 voter approval. The rate structure of the parcel tax could be a flat tax rate, or a variable tax rate based on the type of parcel such as commercial, industrial, residential etc. Based on estimates provided by the City's consultant, HdL, a flat parcel tax of $759 annually could generate an estimated $10 million a year in revenue. If City Council chose a variable parcel tax rate, with an average annual tax of $250 - $300 for residential parcels and $3,000 - $5,000 for commercial business parcels the variable tax rate could also generate an estimated $10 million a year in revenue (See Attachment 1). If the parcel tax were approved by voters, the City could also issue Lease Revenue Bonds/COP's for Affordable Housing projects, which could be secured by available General Fund Revenues, which would include the parcel tax.

Affordable and Workforce Housing Ballot Measure Survey Results

As directed by City Council and the Ad Hoc Subcommittee members, staff hired FM3 to conduct a ballot measure survey. FM3 and staff drafted the following preliminary draft ballot question language:

Shall the measure to provide affordable housing for local teachers, nurses, paramedic/frontline workers, low/middle income families, veterans, seniors, other vulnerable populations; reduce homelessness by expanding access to supportive housing, mental health/treatment services by

establishing an annual $759 parcel tax per residential property, higher rates for business and commercial properties, generating approximately $10,000,000 annually until ended by voters, exempting qualifying small businesses/low-income seniors, requiring annual audits, be adopted?

The recommendations from HdL for an average amount of additional parcel tax increase was presented to the residents in the survey.

The consultant, FM3, presented the survey results to the Affordable/Workforce Housing AdHoc Subcommittee, the Finance Advisory Committee, the Advisory Committee on Housing and Homelessness, and the Equity & Human Relations Advisory Committee in the month of April. City Council received this same presentation at the City Council Meeting on May 9th, 2022. The survey results indicated that even after the educational and opposition statements, only 45% of the residents surveyed supported the measure. This type of ballot measure would require two-thirds of voters' support for passing the measure.

However, the survey also indicated that Culver City residents did support the use of the ballot measure funds to provide emergency shelters, address the development of programs to reduce homelessness, and to provide affordable housing for working class, low-income and other vulnerable populations in the City.

FM3 summarized that "the Workforce/Affordable Housing measure tested in this survey does not appear to be viable at this time, particularly if it is placed on the ballot by the City Council as it would require a two-thirds vote for passage." FM3 also concluded that the "results suggest Culver City should commit to a public education program to engage with the community to help residents understand how the proposed measure would be implemented and structured to promote fairness, and how funds raised would be used to address community priorities."

Additional Considerations

It is important to note, if City Council chooses to move forward with placing a ballot measure on the November 8, 2022, General Election Ballot, Culver City staff, possibly consultants with the needed expertise, and the Ad Hoc Subcommittee would have to develop an Affordable/Workforce Housing Parcel Tax Ordinance by July 11th to meet county election deadlines. The development of an ordinance of this type would also require substantial review from the City's legal team, further research into Article 34, possible input from stakeholders within the City and a consensus of what affordable housing programs would be included in the ordinance.

The City does not currently have any established provisions, programs, or direction on how to use funds coming from a potential parcel tax ballot measure. To accomplish these tasks proficiently, the City may need additional time and resources beyond what's on hand.

FISCAL ANALYSIS

If approved, the ballot measure will increase the City's cost to hold the General Municipal Election in November by approximately $20,000. That additional cost includes Los Angeles County's costs to print and provide the measure on the ballot. A public education program to inform the public about the ballot measure, if desired, is estimated to cost approximately $30,000. These expenses would be

paid from the General Fund's Non-Departmental Acct #10116100.619800.

Depending on the tax structure selected by City Council, and if approved by the voters, the parcel tax increase could have a positive impact of up to $10 million or more annually to fund the specified affordable/workforce housing programs.

ATTACHMENTS

2022_05_23_ATT_Attachment 1 Parcel Tax Scenarios

MOTION

That the City Council:

1. Discuss whether to place a ballot measure on the November 8, 2022 General Municipal Election Ballot for an Affordable/Workforce Housing Parcel Tax Ordinance; and

2. Direction to the City Manager as deemed appropriate.