



City of South Lake Tahoe Report to City Council

Meeting Date: September 26, 2023

Title: Potential Revenue Ballot Measures and Expenditure Plans for Housing, Transit, and Snow Removal for the November 2024 Election

Location: Citywide

Responsible Staff Members: Joseph D. Irvin, City Manager (530) 542-6043
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Background:

At prior meetings since January 2023, City Council has discussed several potential revenue-generating ballot measures to fund housing programs, transit, and snow removal and has narrowed down the preferred options. Today, City Council is asked to decide whether to continue work towards putting any of these potential ballot measures on the November 2024 ballot:

1. Special Transit Occupancy Tax (TOT) Increase for Housing
2. Special TOT Increase for Transit
3. General TOT Increase
4. Charter City and Increase Real Property Transfer Tax
5. Increase Snow Removal Parcel Tax

Prior Council Discussion on Ballot Measures for Housing and Transit

On January 24, 2023, staff presented revenue generation options to City Council to fund the City's housing program. City Council directed staff to perform public outreach on local funding sources as follows: Special Tax Revenue Sources (TOT and Real Estate Vacancy Tax); Development Dependent Sources (Inclusionary Housing In-Lieu Fee and Commercial Linkage Fee). Staff conducted a total of five stakeholder meetings in addition to one-on-one outreach to stakeholders. After further direction from City Council, the Inclusionary Housing Ordinance is being considered by Planning Commission on September 21, and on September 12, City Council directed staff not to pursue a Commercial Linkage Fee at this time based on current market conditions.

On May 2, 2023, staff presented the feedback from the stakeholder outreach on the potential TOT increase and new real estate vacancy tax. City Council directed not to pursue the vacancy tax at this time but to continue to look into the TOT increase. City Council directed staff to bring back a TOT expenditure plan for housing. Mayor Pro Tem Bass also expressed some interest to alternatively consider a special TOT increase to support transit enhancements. City Council also directed staff to conduct public outreach and bring back a discussion regarding Charter City options including information on a real property transfer tax.

Over the summer, the ad hoc Charter City Subcommittee (Mayor Pro Tem Bass and Councilmember Robbins) have been working with the City Manager and City Attorney and held a community public

forum on September 5, 2023, related to charter city options. A summary of the comments and questions received at that meeting is included with this agenda item.

Prior Council Discussion on Potential Ballot Measure for Snow Removal

On June 6, 2023, City Council requested a future item be brought back to consider an increase to the El Dorado County Service Area 3 Parcel Tax. The current tax of \$20 per improved parcel was approved by voters in 1989. City Council also requested analysis of whether a parcel tax increase could be set up to automatically increase to adjust for inflation.

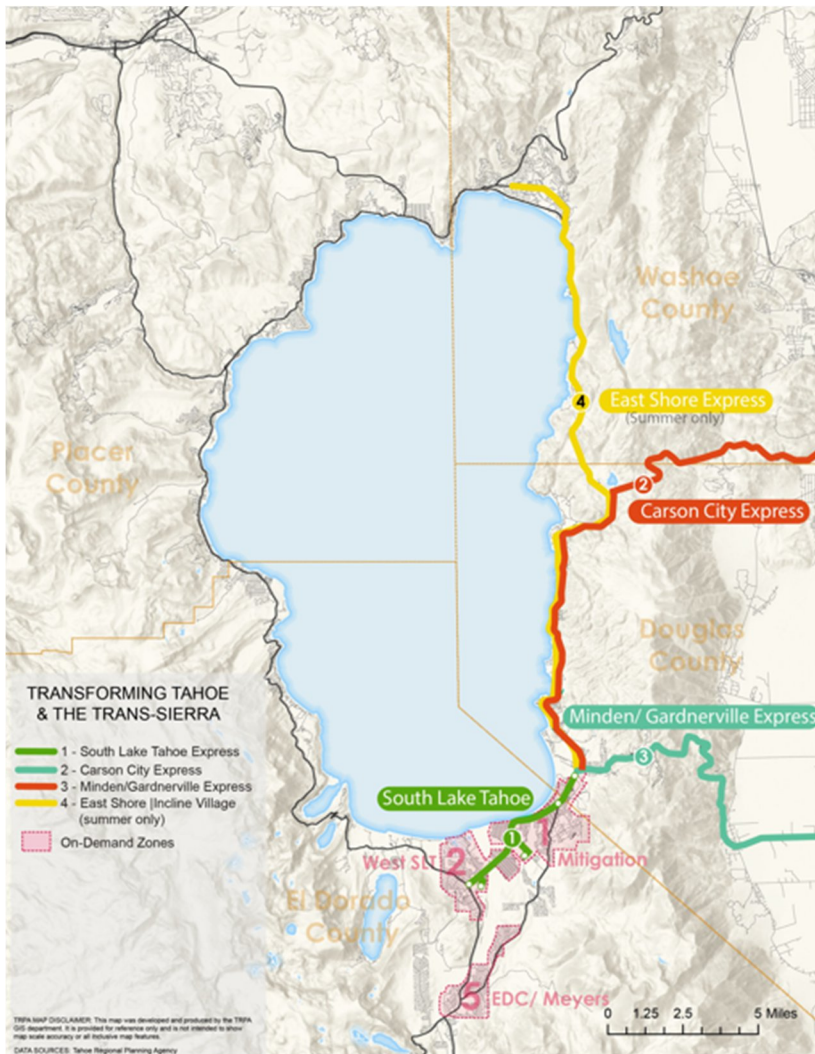
Issue and Discussion:

Per Council request, staff has prepared expenditure plans to show how the City would spend additional revenue generated through a successful ballot measure on housing and on transit.

Housing Expenditure Plan

The expenditure plan is broken down into six broad categories based on the priorities identified in the 2022 Housing Element and the 2023-2028 Strategic Plan, for a total annual funding need of \$3,250,000:

Program	Projected Need	Current Funding	Potential Funding Sources	Deliverables
New Construction program	\$1,000,000	\$0	<ul style="list-style-type: none"> Federal Tax Credit Equity State Tax Credit Equity State of CA – Affordable Housing & Sustainable Communities (AHSC) State of CA – Multifamily Housing Program (MHP) State of CA – Infill Infrastructure Grant (IIG) State of CA – Permanent Local Housing Allocation (PLHA) State of CA – Local Housing Matching Grant (LGMG) State of CA – California Housing Accelerator Program (CHAP) Federal - HOME 	\$1,000,000 in annual funding would be expected to leverage about \$93 million in outside funding in the first three years which represents production of at least 128 affordable units.
Locals Rental Incentive Program (Lease to Locals)	\$200,000	\$500,000	None	\$200,000 in annual funding would place roughly 60 moderate income people annually in existing housing stock.
Multifamily and Special Needs Housing Acquisition and Rehab Program	\$1,500,000	\$500,000	<ul style="list-style-type: none"> Federal Tax Credit Equity State Tax Credit Equity State of CA – MHP State of CA – PLHA State of CA – Project Homekey Federal - Home 	\$1,500,000 in annual funding would be expected to leverage about \$145 million in outside funding in first three years and represents the acquisition and rehabilitation of 192 units for low & moderate income and/or special needs tenants.
Housing Issues Hotline & Affirmatively Furthering Fair Housing Programs	\$150,000	\$0	None	Continued implementation of Housing Hotline, outside fair housing legal services and/or other programs.
Rental/Deposit Assistance Program	\$200,000	\$0	None	Provide up to 75 individuals and/or families with rental deposit assistance.
Rehabilitation Loan Program	\$200,000	\$0	<ul style="list-style-type: none"> State of CA – CDBG State of CA – HOME State of CA – PLHA Federal – USDA Federal – FEMA 	\$200,000 in annual funding would be expected to leverage \$500,000 in outside funding over a three-year time period and assist about 14 eligible households.



Source: Draft – TTD SRTP Concept

Transit Expenditure Plan

The VIA Comprehensive Transit Analysis (attached) estimates all-day, frequent service on Route 50 with 20-minute headways, operating from 6am to 12am, 7-days/week, year-round from the Kingsbury Transit Center to the “Y” Transit Center would cost approximately \$4.9M to \$5.8M. The study also estimates that citywide microtransit service with an annual ridership demand of 351,000 riders would cost approximately \$3.7M. The potential total need to deliver the City’s desired level-of-service for transit totals up to \$9.5M.

Currently, the Federal Transit Administration (FTA) Formula 5307 monies apportioned by the Tahoe Regional Planning Agency, serving as the Tahoe Metropolitan Planning Organization, is \$3.85M (split between TTD and Placer County). On top of this, there are competitive grants that the Tahoe Transportation District (TTD) competes for and receives for capital needs/fleet replacement, and rural FTA funds for Carson Valley connections. There is an additional approximate \$2M of California Transportation Development Act monies currently

utilized for TTD transit operations. Assuming all those funding sources (totaling \$5.8M) were to be apportioned for the City’s transit service area at levels referenced above, which most likely will not be the case because it would take resources away from other areas currently sharing these funds, there still would be a funding gap of \$3.7M.

The below expenditure plan assumes potential new revenues from a ballot measure of approximately \$3.25M. This would likely provide enough funding to support the City’s desired service level for microtransit but would still leave a funding gap to achieve the desired service level for Route 50.

Transit Type	Current Funding	Needed Funding	Desired Service Level
Route 50	FTA formula and TDA monies to TTD - \$1.7M	\$4.1M	20-min headways; 6am to 12am; 7-days/week, year-round
Microtransit	\$1.7M	\$2.4M	Citywide – 7am to 10pm – 20-min wait times

**Initial conversations with TTD have included their intent to allocate TDA monies to fund microtransit Zone 2 as depicted on the above map.*

Revenue Ballot Measure Options

City Council is asked to decide whether to continue work towards putting any of the following potential ballot measures on the November 2024 ballot. The summary table below is followed by a more detailed description of each option. The potential revenue amounts listed for each measure are estimates because any measure the City Council selects to continue to work on would be subject to fine-tuning through public outreach and engagement including professional public opinion research (polling). Also attached to assist in City Council's decision-making are the results from local ballot measures statewide from the November 2022 election.

Revenue Measure	Votes Needed	Evaluated Tax Rate	Estimated Annual Revenue
Special TOT (Housing)	2/3 majority	2% increase citywide (to 14-16%)	\$3,250,000
Special TOT (Transit)	2/3 majority	2% increase citywide (to 14-16%)	\$3,250,000
General TOT	Simple majority	2% increase citywide (to 14-16%)	\$3,250,000
Charter City/Real Property Transfer Tax	Simple majority	Change from current \$0.55 per \$1,000 flat rate to marginal progressive tax rate averaging \$7 per \$1000	\$3M-\$4M
Snow Parcel Tax	2/3 majority of voters	Increase from \$20/parcel to \$75/parcel	\$875,625

Special TOT Increase for Housing

A special tax measure for housing to increase TOT by 2 percent citywide would generate approximately \$3,250,000 for the City's housing programs. As a special tax, such a measure would require approval from 2/3 of voters and would be restricted for use solely for the purpose of funding the City's housing programs.

Special TOT Increase for Transit

A special tax measure for transit to increase TOT by 2 percent citywide would generate approximately \$3,250,000 that could be used towards transit service in the City. As a special tax, such a measure would require approval from 2/3 of voters and would be restricted for use solely for the purpose of funding transit service.

General TOT Increase

A general tax measure to increase TOT by 2 percent citywide would generate approximately \$3,250,000 that could be used for general governmental purposes that could include housing and transit. As a general tax, this requires approval from a simple majority of voters and could be used for general governmental purposes. The City Council could elect to use some or all of the funds for housing and/or transit but the revenue would not be restricted to these uses.

Charter City and Establish Real Property Transfer Tax

A real property transfer tax is a tax imposed on the conveyance of real property based on the value (sale price) of the property. Such a tax designed with a marginal progressive tax structure averaging \$7 per \$1000 of property sale price could generate approximately \$3-\$4M annually. Real property transfer taxes must be general taxes under state law, however, some or all of these funds could be spent on housing programs or transit.

The ad hoc Charter City Subcommittee does not necessarily recommend this option over the other tax measure options, but if the Council chooses this option, the subcommittee recommends that the tax be established on a marginal progressive basis, meaning that properties transferring at a higher sales price would have a higher marginal tax rate. One such example is Culver City, which lowered the rate to 0.45 per \$1000 for property transfers less than \$1.5M, but raised it incrementally from 1.5 percent for the portion of value up to \$2.99M, 3 percent for the portion of value up to \$9.99M, and 4 percent for the portion over \$10M. The Subcommittee also recommends that if City Council select this option, that the task of drafting the City Charter be delegated to the Subcommittee and that extensive education and outreach should occur regarding the proposal to become a Charter City and adopt a marginal progressive real property transfer tax. The Subcommittee recommends that the break points and rates for the marginal progressive tax rate be determined based on this outreach, but that a target be set of approximately \$4M of revenue per year.

Increase Special Snow Removal Parcel Tax

On September 20, 1989, a Joint Powers Agreement (JPA) between the City of South Lake Tahoe and El Dorado County was created to allow the County to form a Zone of Benefit within County Service Area No. 3 (CSA 3), which lies within the municipal boundaries of the City of South Lake Tahoe. The agreement allows the County to levy a charge of \$20.00 per improved parcel. The County remits all funds collected to the City, less one percent (1%) for administrative costs.

These funds are dedicated to purchasing new snow removal equipment for the City of South Lake Tahoe. Due to a ten-year sunset clause in the original JPA, both parties executed an extension in March 1999, and the agreement is continued in full force and may only be terminated upon 180 days of written notice by either party.

During this period, the buying power of the \$20 per parcel tax has diminished significantly due to inflationary costs. Based on the Producer Price index by Commodity, the index cost of Machinery and Equipment has risen from 118.2 in 1989 to 299.272 in 2023, an increase of 153%. The Consumer Price Index has risen by 270% during the same period. Applying the CPI increase between the 1989 charge to 2023, the current equivalent value is \$73.44 per parcel.

If City Council elects this option, staff recommends that the ballot measure increase the parcel tax for snow equipment to \$75 per parcel. State law does not allow a tax measure to include automatic increases for inflation. Under Proposition 218 (Article XIII C, sec. 2 of the California Constitution), no government may “impose, extend or increase” a tax without voter approval. The implementing statutes for Proposition 218 only allow a tax to be automatically adjusted for inflation if it is adjusted in accordance with a schedule of adjustments including a clearly defined formula for inflation adjustment that was adopted prior to November 6, 1996. Gov’t Code section 53750(h)(1). Increasing the snow parcel tax would require coordination with El Dorado County, which collects the tax for the City under the JPA.

It is worth noting that El Dorado County placed a measure on the ballot for March 3, 2020, to increase the parcel tax within the adjacent South Shore snow removal zone in unincorporated El

Dorado County from \$20 to \$80 for twenty years' duration. That measure failed to get the required 2/3 voter approval, with 49 percent voting "yes" and 51 percent voting "no."

Financial Implications:

At this time no immediate cost are needed. Based on Council direction, forthcoming expenses could be related to consultant services for ballot measure polling and ballot measure communications strategy.

Policy Implications:

This agenda item is consistent with the City's Strategic Plan Goal 1.3.4 - Establish a local discretionary funding source to leverage access to and increase competitiveness for outside funds, and implement City Council direction to conduct outreach to analyze vacancy tax and transient occupancy tax funding sources and Goal 1.4.1 - Evaluate the option to develop a local revenue source (i.e., TBID, a Basin entry fee, paid parking, overnight parking fees at hotels and enhanced enforcement) to support transportation projects.