



City of Sunnyvale

Agenda Item

14-0992

Agenda Date: 1/30/2015

2015 COUNCIL STUDY ISSUE

NUMBER

CDD 15-01

TITLE Consider Imposing a Tax or Fee on Rental Property Owners to Provide a Revenue Source to Pay for Tenant-Landlord Dispute Resolution Services

BACKGROUND

Lead Department: Community Development

Support Department(s): Finance, Office of the City Attorney, Office of the City Manager

Sponsor(s):

Councilmembers: Whittum, Martin-Milius

History:

1 year ago: N/A

2 years ago: N/A

SCOPE OF THE STUDY

What are the key elements of the study?

Study ways to generate a stable source of funding for tenant-landlord dispute resolution services for Sunnyvale residents, landlords, and community members, such as imposition of a special tax or fee. Amount suggested by study issue proposer was \$3 per rental unit per year, payable by the rental property owners. Preliminary legal analysis indicates this charge would constitute a special tax under current California law (Proposition 26 of 2010, the "Supermajority Vote to Pass New Taxes and Fees Act"), requiring voter approval of a local tax measure by 2/3 of the local electorate.

Staff suggests that the study would be conducted in two phases. The first phase would include the following elements:

- a) Determine the type and range of services to be provided (i.e., current dispute-resolution contract also handles disputes between neighbors, HOA members, mobile home park residents, residents and neighboring businesses, etc., although priority is given to cases involving tenant-landlord disputes);
- b) Study whether the desired services should be provided by city staff and/or city appointees, or contracted out, or a combination thereof;
- c) Estimate the level of demand for and potential cost to provide the desired services, and devise a method of distributing the estimated cost among the proposed payers (i.e., rental property owners), or in other words, determining the amount and application of the tax; and
- d) Outreach to key stakeholders, including rental property owners and the Tri-County Apartment Association.

Once the study of the above elements has been completed, staff would report back to Council with the findings and possible alternatives for a tax measure. If Council is interested in pursuing such a measure, the second phase of the study would involve Council direction to proceed with the next level of staff analysis, including appropriating funds, to complete the following work items:

- a) Work with the City Attorney's Office and City Clerk to prepare a proposal for a ballot measure;
- b) Conduct public opinion research to determine the likelihood of such a measure passing by the required 2/3 vote, or any further analysis that might be needed; and
- c) Conduct further outreach to key stakeholders regarding a possible ballot measure.

With the completion of the above analysis, staff would report back to Council and a decision could be made at that time to place a measure on the ballot and appropriate funds for the associated costs.

What precipitated this study?

Councilmember proposed study in response to request from Project Sentinel for increased City funding for FY 2014-15 for the tenant-landlord services it proposes to provide in Sunnyvale next fiscal year. Council approved \$45,000 in funding for Project Sentinel's services for FY 2014-15 on June 24, 2014.

Planned Completion Year: 2016

FISCAL IMPACT

Cost to Conduct Study

Level of staff effort required (opportunity cost): Moderate

Amount of funding above current budget required: up to \$50,000

Funding Source: Will seek budget supplement.

Explanation of Cost:

Staff would work closely with OCA to complete study. If any additional funding is required, it would most likely be either for outside counsel to provide legal advice on this matter, and/or a consultant to analyze the level of need and estimated costs for the desired services, or similar issues.

Cost to Implement Study Results

Some cost to implement.

Explanation of Cost: The cost to implement the study would include the cost to complete both phases of the analysis described above, estimated in the \$40,000 to \$50,000 range, which would likely include a public opinion research firm and outreach costs. In addition, if Council decides to place a measure on the ballot, that would cost an additional \$45,000, approximately. Special tax measures may only be placed on the ballot during a general election in which there are already Council seats on the ballot, as required by Proposition 218, therefore the earliest it could be placed on the ballot would be November 2016.

EXPECTED PARTICIPATION IN THE PROCESS

Council-approved work plan: No

Council Study Session: Yes

Reviewed by Boards/Commissions: Housing and Human Services

STAFF RECOMMENDATION

Position: None

Explanation: This is a matter of Council discretion.

Reviewed by: Hanson Hom, Director, Community Development

Reviewed By: Robert A. Walker, Assistant City Manager

Approved By: Deanna J. Santana, City Manager