



AGENCY: City Council
MEETING DATE: August 8, 2022
DEPARTMENT: Administration
PRESENTED BY: D. Spaur, S 2 Consulting, LLC
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AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Adoption of City Council Resolution Calling and Giving Notice of a General Municipal Election for the Purpose of Submitting to the Voters a 3/8-Cent General Transaction and Use Tax; Directing the City Attorney to Prepare an Analysis of the Measure; Authorizing City Council to Submit a Ballot Argument in Favor of the Measure; and Setting Dates for Submitting Arguments on the Measure

ISSUE:

Increasing Work-Force Housing opportunities in the City of Fort Bragg is of the highest priority to City Council. The lack of housing opportunities in the City and throughout the coastal region affects the ability of employers to recruit and retain qualified workers such as nurses, teachers, tradespeople, and police and fire first responders. The lack of affordable housing units also affects the ability for residents to invest in homeownership, which is an important component to developing individual, household, and generational wealth.

In an effort to provide safe, decent, and affordable housing opportunities to residents by supporting housing production, addressing deferred maintenance issues, and improving the City’s existing housing stock, Council may consider approving a City-wide ballot measure for the November 8, 2022 general election. A general tax measure requires a simple majority (50% +1) of the voters’ approval and the proceeds can be used for any governmental purpose. Considering the current housing crisis, the City would utilize these funds to help meet the housing needs of the community.

A new 3/8-cent sales tax increase within the City limits would generate approximately \$800,000 annually. Council would appoint an independent oversight committee to ensure funds are utilized to meet pressing needs of the community, which for the near future is housing, housing, and more housing.

ANALYSIS:

Sales Tax is a tax paid on the sale of certain goods and services. The current local sales tax rate in Fort Bragg, CA is 8.875%. Of that total, the City receives only 1% of the total sales tax collected.

Sales Tax Breakdown

<u>District</u>	<u>Rate</u>
State of California	7.250%
Mendocino County	0.625%
Fort Bragg	1.000%
Total	8.875%

Currently, the State imposes a 7.25% tax on goods and services sold in California. The City of Fort Bragg rate is 1% and Mendocino County rate is 0.625%. Per state law, the maximum added sales tax cannot exceed two (2%) percent. The County of Mendocino has scheduled a 3/8 cent sales tax increase to be applied county-wide for voter approval in November 2022. If voters approve this, the 2% sales tax capacity threshold will have been met, and the City will be unable to add additional tax. However, if the City of Fort Bragg schedules its own sales tax measure for November 2022, and City voters approve it, the additional sales tax rate would be allocated to the City and not to the County. This additional 3/8 cent would bring the total sales tax within the City limits from the current 8.875% to the cap of 9.25%. A new 3/8-cent sales tax increase within the City limits would generate approximately \$800,000 annually.

Sales tax revenue generated within the City limits is generated not only from City residents, but also tourists and visitors, as well as regional residents living outside City limits that regularly shop in Fort Bragg. In fact, City residents generate about 27% of the City's annual sales tax collected, whereas sales tax dollars from tourists or visitors to Fort Bragg generate approximately 40% of sales tax revenue, and regional residents generate approximately 33% of the sales tax.

If the City's sales tax measure is approved by voters, the City Council shall appoint an independent advisory and oversight committee to ensure funds will support housing needs of the community. The oversight committee would track and review sales tax revenues and expenditures, review annual audit reports, and report annually to the City Council at a public meeting to review the committee's findings and make appropriate recommendations.

In order to place the proposed measure on the November 8, 2022 ballot as a general tax, the attached resolution and ordinance require approval by the Fort Bragg City Council:

- Resolution Calling for Municipal Election to Increase Sales Tax
- Ordinance Imposing a 3/8-Cent Transactions and Use Tax
- Notice of Election

RECOMMENDED ACTION(S):

1. Adopt a Resolution (which includes the proposed Ordinance as Exhibit A) of the Fort Bragg City Council calling and giving notice to hold a November 8, 2022 General Municipal Election to submit to the voters a 3/8-Cent Transactions and Use Tax Measure and request the Board of Supervisors of the County of Mendocino to consolidate the Election with the Statewide General Election.

ALTERNATIVE ACTION(S):

1. Reschedule approval of the Resolution pending further input or staff information to a date certain for another election.
2. No action.

FISCAL IMPACT:

Staff and attorney's fees to prepare the Transaction and Use Tax Measure for the consolidated general statewide election is estimated to be less than \$10,000. The 3/8 of a cent sales tax is estimated to generate an additional \$800,000 per year.

GREENHOUSE GAS EMISSIONS IMPACT:

N/A

CONSISTENCY:

Creating a new funding source to address the lack of safe, decent and affordable housing opportunities aligns with the following Council Goals and Priorities:

Priority: Housing

Goal 1: 200 Units in the Next Five Years

Goal 2: Pursue Community Land Trust/JPA/Housing Authority

Goal 3: Streamline Permitting Process and Pursue Creative Approach

IMPLEMENTATION/TIMEFRAMES:

The deadline for transmitting a ballot measure to County Elections Office is August 12, 2022. The deadline for arguments for or against the ballot measure is August 18, 2022. The last day for submission of rebuttal arguments for or against the ballot measure is August 29, 2022. Election Day is November 8, 2022. The City Elections Official will certify the results of the election to the City Council no later than the next regularly scheduled Council meeting following presentation of the 28-day canvass of the returns by the County Elections Official, currently scheduled for December 12, 2022.

ATTACHMENTS:

1. Resolution
2. Ordinance
3. Notice of Election
4. Notice to Voters Re Sales Tax Measure Arguments

NOTIFICATION:

1. "Notify Me" Subscriber Lists: Affordable Housing; Finance & Budgeting