



AGENCY: City Council  
MEETING DATE: April 22, 2019  
DEPARTMENT: Finance  
PRESENTED BY: V Damiani  
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## AGENDA ITEM SUMMARY

### **TITLE:**

**Receive Report and Consider Introducing by Title Only and Waiving the First Reading of Ordinance No. 946-2019 Amending Section 5.04.010 (Definitions) and Section 5.04.080 (Exemptions From Tax Payments) of Chapter 5.04 (General Provisions) of Title 5 (Business Licenses and Regulations) of the Fort Bragg Municipal Code**

### **ISSUE:**

In the course of the City Council approving updates to the City's Calendar Year 2018 fee schedule, a question came up regarding the requirement to obtain a business license to engage in the business of renting dwelling units for residential use. Staff's review of the City's Municipal Code indicated that in fact a business license is required. On the other hand, staff does not have a good method to determine where all of the City's rental units are located and therefore has never attempted to enforce the requirement. Further research indicated that several Northern California cities (including Sacramento, San Francisco and Berkeley) provide a tax exemption for landlords renting a small number of units. At the time, Council indicated a desire to likewise provide a tax exemption for landlords renting a small number of units. Although there has not been any enforcement of the requirement there is at least one landlord who is known to be maintaining a business license for this purpose and possibly several others. Staff believes it would be prudent to revise the City's Municipal Code to make the tax exemption explicit. This can be accomplished with the addition of two definitions to section 5.04.010 and one paragraph to section 5.04.080 of the code. Staff's proposed code changes are attached to this report.

### **ANALYSIS:**

Enforcement of the business license requirement for rental of residential dwelling units could potentially increase revenues for the City's general fund. On the other hand, the City Council has taken multiple actions in recent years to make housing both affordable and available within the City limits. Staff believes that the benefit created by providing an environment conducive to increasing housing availability and affordability outweighs the benefit of a potential increase in revenue.

### **RECOMMENDED ACTION:**

The City of Fort Bragg Finance and Administration Committee met on April 3, 2019 and recommends the City Council amend Sections 5.04.010 and 5.04.080 of the City's municipal code in order to provide a business license tax exemption for rental of three or less dwelling units.

### **ALTERNATIVE ACTION(S):**

Direct staff to explore ways to enforce the City's current municipal code regarding business licenses for rental of dwelling units.

### **FISCAL IMPACT:**

Staff believes the exemption will apply to between one and five landlords who currently maintain a business license. The fiscal impact is likely to be minimal.

**CONSISTENCY:**

The proposed change to the City of Fort Bragg municipal code is consistent with the City's General Plan Housing Element goal of providing an adequate supply of safe, decent housing for all residents of Fort Bragg.

**IMPLEMENTATION/TIMEFRAMES:**

The ordinance adoption process requires a first and second reading at subsequent City Council meetings. The ordinance will go into effect 30 days after the second reading and adoption. The anticipated timeframe for completion of this process is June of 2019.

**ATTACHMENTS:**

1. Ordinance 946-2019 Amending Section 5.04.010 (Definitions) and Section 5.04.080 (Exemptions From Tax Payments) of Chapter 5.04 (General Provisions) of Title 5 (Business Licenses and Regulations) of the Fort Bragg Municipal Code

**NOTIFICATION:**

None.