



# COUNCIL REPORT

**DATE:** May 14, 2024  
**CATEGORY:** New Business  
**DEPT.:** City Manager's Office  
**TITLE:** **Potential Revenue Measure for 2024  
General Election Ballot**

## **RECOMMENDATION**

Receive potential revenue measure polling results and recommendations from the Ad Hoc Revenue Measure Sub-Committee and provide direction to staff to proceed with drafting a Property Transfer Tax revenue measure for the November 5, 2024 ballot.

## **BACKGROUND**

At the June 13, 2023 City Council meeting, Council approved the Fiscal Years 2023-24 and 2024-25 Council Work Plan. Included among Priority A work plan items is a project to “explore the feasibility of a potential 2024 revenue measure.”

On September 12, 2023, discussions of a potential 2024 revenue measure began in earnest with the convening of a Study Session. The Study Session provided Council with an overview of the following: critical, unfunded Mountain View priorities; regional and statewide ballot measures; existing Citywide revenues and rates; regional revenue rates and potential City revenue increases; and an overview of the revenue measure adoption process.

Of note, staff presented that the Mountain View of tomorrow will require addressing aging facilities and Citywide infrastructure, maintaining superior public safety, building new parks and open spaces, implementing ambitious decarbonization and climate change mitigation programs, and building more affordable housing. Following are some examples of critical unfunded initiatives:

- **Police/Fire Operations Center and Emergency Operations Center (EOC)**—For more than 20 years, the City has studied and discussed the need for constructing a new public safety administration building, which houses the Police Department, Fire Department administration, the Emergency Operations Center, and the 9-1-1 emergency dispatch. The current building is antiquated and does not meet current seismic standards. The current estimate for a new building is approximately \$200 million.

- **Transportation Improvements**—The City currently has multiple Capital Improvement Program (CIP) projects that need additional funding, including the Castro and Rengstorff grade separation projects, and various road, pavement, intersection and other roadway infrastructure and maintenance improvement projects. Revenue sources for the CIP have been declining over the past few years due to various economic conditions, at the same time as increasing costs related to construction and materials. The City needs more than \$10 million annually to continue to address critical capital needs.
- **Parks and Open Space**—The City currently has an open space goal to provide three acres of open space for every 1,000 residents. Based on current data, the City is expected to create, on average, one to two new parks per year through the year 2030. The overall park acreage will be growing with these future identified parks; however, there are specific planning areas within the City that are not reaching this goal currently and do not have identified funding. The forthcoming Parks and Recreation Strategic Plan will identify funding strategies to meet the parks and open space needs of the future, which will require a financial investment of more than \$30 million.
- **Climate Change Mitigation**—In 2020, in response to state, national, and internal action on climate change, the City adopted a goal of carbon neutrality by 2045. In the coming year, the City will develop a decarbonization strategy to achieve significant emissions reductions by 2035. The City's costs will be upwards of \$10 million to implement decarbonization projects and more than \$40 million to increase the City's electrical grid capacity.
- **Affordable Housing**—The City will continue to be a statewide leader in the development and preservation of affordable housing. The current total pipeline of affordable units (100% affordable and Below-Market-Rate) is approximately 1,690 units. This is a significant pipeline that will double the City's affordable housing supply in the coming years. At this time, there is an estimated gap of approximately \$50 million to fully fund the affordable housing projects in the pipeline.
- **Castro Street Pedestrian Mall Implementation**—The City Council adopted an ordinance to establish the Castro Street Pedestrian Mall between West Evelyn Avenue and California Street, permanently eliminating vehicular traffic from the 100 to 300 blocks of Castro Street. This action was a major step forward in transforming a temporary solution to keep businesses operational during the COVID-19 pandemic into a new vision for Castro Street to create a vibrant, vehicle-free, walkable downtown area.

At the conclusion of the Study Session, Council indicated support for:

1. Continuing to explore the feasibility of a 2024 revenue measure.

2. Creating a 2024 Revenue Ballot Measure Ad Hoc Committee consisting of Vice Mayor Matichak, Councilmember Ramirez, and Councilmember Ramos.
3. Focusing on general tax initiative (50 + 1) revenue types like Transient Occupancy Tax and Utility User Tax (by utility type).

Some Councilmembers expressed interest in exploring a commercial office space parcel tax and a gross receipts business license tax.

## **ANALYSIS**

### **Ad Hoc Committee Meeting Summary and Deliberations**

On December 6, 2023, the Revenue Measure Ad Hoc Sub-Committee convened its initial meeting. Discussion included an update from staff on the revenue measure process and projections since the Study Session, an anticipated timeline for the measure, and an update from the polling and strategy consultants, EMC Research (EMC) and Lew Edwards Group (LEG), respectively.

On January 17, 2024, the Revenue Measure Ad Hoc Sub-Committee reviewed the types of potential revenue measures, a discussion of the draft survey instrument that would go to likely voters, and a discussion of potential communication and outreach strategies. The recommendation was to poll for a Transient Occupancy Tax (TOT) and Property Transfer Tax (PTT).

On January 30, 2024, the Revenue Measure Ad Hoc Sub-Committee reviewed various data points and directed staff to develop a draft survey instrument and ballot questions for both a potential TOT and property transfer tax revenue measures, as potentially running concurrently.

On March 6, 2024, the Revenue Measure Ad Hoc Sub-Committee performed a final review of the recommended ballot questions for the survey instrument and other components of the instrument. At the conclusion of the meeting, the Ad Hoc Committee recommended the polling language in the survey instrument.

On April 19, 2024, the Revenue Measure Ad Hoc Sub-Committee received a presentation of polling results by EMC and LEG and recommendations based on the polling data. The Ad Hoc Revenue Measure Sub-Committee recommended that the full Council consider proceeding with a single property transfer tax ballot initiative for community consideration.

## **Summary of Polling Results**

This summary is provided for reference only. The consultants, EMC Research and the Lew Edwards Group, will provide a comprehensive presentation based on the Executive Summary attached to this report (Attachment 1) and respond to questions at the meeting.

A multi-modal live telephone, email, and text-to-web survey of likely November voters in the City of Mountain View was conducted between March 14 and March 27, 2024. The survey was offered in English, Spanish, and Chinese and received 604 completed interviews for an overall +/- 3.95 margin of error.

Following are the key observations:

- Voters are optimistic about the direction of the City.
- Mountain View constituents feel the City is going in the right direction and are satisfied with their services as well as the City's fiscal management, a marked departure from many municipalities in California.
- Housing affordability is by far the most prominent top-of-mind concern.
- Although two-thirds believe that high-quality City services are crucial, even if it means raising taxes, fewer than half see a need for additional funding for the City, and only one in 10 perceive a great need.
- Initial support for a Transient Occupancy Tax (TOT) measure is just above the 50% threshold. The level of support is not significantly impacted by the order in which respondents are presented with it in the survey.
- Initial support for a Property Transfer Tax (PTT) measure is above 60%.
- Potential measure components related to public safety and road/street infrastructure are high priorities for funding.
- Additional information increases support for a TOT, while support for a PTT remains consistent.

**Property Transfer Tax Information/Data**

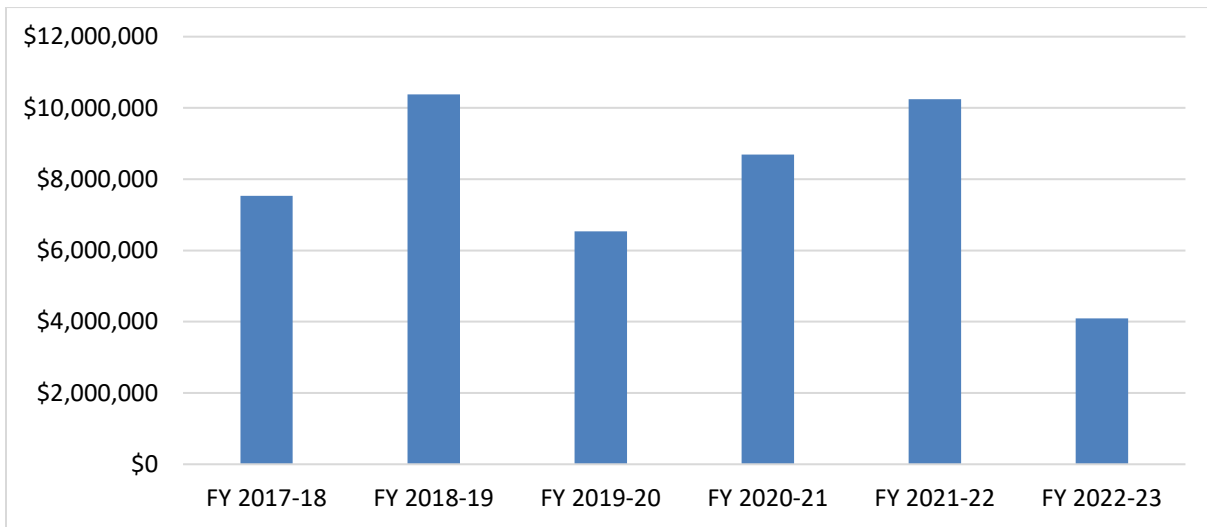
In California, counties and general law cities are authorized to impose a real property transfer tax under the Documentary Transfer Tax Act. A real property transfer tax is a tax paid on each deed or other recorded instrument transferring real property, such as the sale of real property.

In Santa Clara County, all general law cities have a City rate of 0.55% per \$1,000 and the County rate of 0.55% per \$1,000 for a combined rate of \$1.10 per \$1,000. Mountain View, as a charter city, has authority under the State Constitution to impose a transfer tax that is not limited to the tax rate specified under the Documentary Transfer Tax Act.

In 1973 the City adopted a property transfer tax at the rate of one dollar and sixty-five cents (\$1.65) for each five hundred dollars (\$500) or less of the value of the consideration. For comparative purposes, the tax is often referred to as \$3.30 per \$1,000.

As illustrated in Table 1, for Fiscal Year 2022-23, property transfer taxes are estimated at \$4.1 million compared to \$10.2 million for Fiscal Year 2021-22. The decline is the result of decreased home sale volume.

**Table 1: Property Transfer Tax Actual Revenues**



As illustrated in Table 2, of the six chartered cities in the County, Mountain View, Palo Alto, and San Jose have adopted additional transfer rates. It should be noted that the City of Sunnyvale has recently polled for and is currently considering the adoption of an increase in their property transfer tax rate.

**Table 2: Charter City Rates—Santa Clara County**

County/Charter Cities	Per \$1,000 City Rate	County Rate	Per \$1,000 Total
<b>SANTA CLARA COUNTY</b>			
<b>Mountain View</b>	\$3.30	\$1.10	\$4.40
<b>Palo Alto</b>	\$3.30	\$1.10	\$4.40
<b>San Jose</b>	\$2M - \$3.30	\$1.10	\$4.40
	\$2M to \$5M - \$10.80	\$1.10	\$11.90
	\$5M to \$10M - \$13.30	\$1.10	\$14.40
	Over \$10M - \$18.30	\$1.10	\$19.40

As contemplated, the potential revenue measure would raise the City of Mountain View’s property transfer tax that is imposed on residential and commercial property sales of *more than \$5.0 million only*, up to \$15 per 1,000. This increase would generate approximately \$9.5 million in annual revenue to the City to address critical unfunded needs.

**NEXT STEPS**

In consultation with the City Attorney, the City Clerk, and the project consultants, staff will initiate the following elements of the revenue measure if directed by Council to proceed with a ballot measure:

- **Public Outreach and Information**—After a survey, the public outreach effort would continue with additional community communications and forums. These could include speaking engagements, informational mailers, and website development, to list a few.
- **Additional Polling (Tracking Poll)**—After additional community input, outreach, and education, additional polling on the preferred revenue measure may be appropriate.
- **Develop and Place Measure on Ballot**—The process of writing the ballot question and the full text of the measure for placement by the County Registrar of Voters.

In addition, the following legal/administrative procedures are required for the formal adoption and placement of a revenue measure in Santa Clara County:

Date	Process/Activity
<b>May 14, 2024</b>	Council approval of the revenue measure type to place on the ballot for community consideration.

Date	Process/Activity
June 25, 2024	Council adoption of a revenue measure, including the ballot measure language.
August 8, 2024	The measure is required to be submitted to the Santa Clara County Registrar of Voters (ROV) by the statutory August 8, 2024 deadline.
August 13, 2024	Arguments for/against the measure are due to the County ROV by 5:00 p.m.
August 14, 2024	The last date to withdraw a measure.
August 20, 2024	Rebuttals are due to the County ROV by 5:00 p.m.
November 5, 2024	General Election.

### **FISCAL IMPACT**

The Revenue Measure consulting services are funded for Fiscal Year 2023-24 (limited period \$250,000), and there are sufficient resources to complete the preparation of this item for the ballot. The funding for the elections processes, including estimated costs for the ballot measure Registrar of Voters (ROV) fees, will be included in the FY 2024-25 Recommended Budget in the City Clerk's Department operating budget.

### **CONCLUSION**

The Council should receive the revenue measure polling results and recommendations from the Ad Hoc Revenue Measure Committee, and provide direction to staff to proceed with drafting a Property Transfer Tax ballot initiative for community consideration at the general election on November 5, 2024.

### **ALTERNATIVES**

1. Provide direction to staff to not proceed with drafting a Property Transfer Tax ballot initiative for community consideration on November 5, 2024.
2. Provide other direction to staff.

**PUBLIC NOTICING**—Agenda posting.

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KST-AA/JO/6/CAM  
609-05-14-24CR  
203912

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Attachment: 1. Executive Summary of the Survey Results (Consultant EMC Research)