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CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE

This measure was placed on the ballot by an initiative petition signed by the requisite number of registered voters in the City of East Palo Alto. It requires a majority vote for passage.

Existing Law

Currently, East Palo Alto Municipal Code section 5.08.125 imposes a 2.5% annual tax on gross receipts from the rental of residential units in the City. The tax does not apply to gross receipts from units owned by a nonprofit corporation renting affordable housing; certain units whose rents are controlled by law; units with tenants receiving monthly rental assistance from San Mateo County; units during the first three years after the issuance of a certificate of occupancy; individual rooms without kitchen facilities rented in a residential dwelling unit; and accessory dwelling units or junior accessory dwelling units as defined in the Municipal Code.

The tax is in effect until repealed by the voters, though the City Council may reduce the tax rate without voter approval. Funds generated by the tax may be used by the City Council for any purpose deemed necessary and appropriate for the benefit of City residents. The City Council is required to periodically review housing policy, housing programs, and related issues to determine how and to what extent the City should use the tax revenue to establish and fund such programs to increase the supply of affordable housing and protect residents from displacement and homelessness, including the provision of rental assistance, in light of the City's budget cycle and other relevant funding cycles. The tax raises about \$1.45 million a year.

Proposed Measure

This measure would not change tax rate; it would only require that funds generated by the tax be used only for specific purposes, rather than for general governmental purposes. First, at least 30% of the funds must be used exclusively for tenant rental assistance. Second, no more than 20% of the funds may be used for the City's reasonably incurred costs for staff and overhead to administer the tax. Third, the remaining revenue may, at the City Council's discretion, be used in any way that supports affordable homeownership, preserves affordable housing, furthers tenant rental assistance, or protects City residents from displacement or homelessness.

What your vote would mean.

Voting "Yes" would mean the City Council funds generated by the tax may be used only for the following purposes: tenant rental assistance, other housing purposes to be specified by the City Council, and tax administration expenses, subject to the spending constraints in the measure.

Voting "No" would mean funds generated by the tax may be used by the <u>City Council</u> for any purpose deemed necessary and appropriate for the benefit of City residents.

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John D. Lê City Attorney