

Capitola City Council

Agenda Report



Meeting: April 14, 2022
From: City Manager Department
Subject: Consider a Community Survey Contract

Recommended Action: Authorize the City Manager to enter a contract with Gene Bregman and Associates in an amount not to exceed \$17,000 for a community survey to help gauge public interest on potential ballot measures for the November election and approve the proposed resolution amending the FY 2021/22 Budget.

Background: In 2020, prior to the last General Election, the City conducted a survey of residents to gauge community interest regarding several potential ballot measures. Based on those survey results, and the pandemic situation during summer 2020, the City Council elected not to put any measures on the ballot.

During the City's goal setting session for the upcoming fiscal year, City Council identified a goal to consider potential ballot measures for the November 2022 General Election. In general, staff recommends the City seek community feedback prior to placing measures on the ballot. Community polling helps the City Council understand, in a statistically relevant way, what issues resonate with voters and provides feedback about likely voting outcomes.

The City has used Gene Bregman and Associates in previous election years to gauge potential voter support for ballot measures.

Discussion: The proposed contract with Gene Bregman and Associates includes a phone survey of 175 to 200 likely voters in Capitola. The proposed contract includes enough time per phone interview to obtain community feedback on approximately two separate topics and include a few baseline questions regarding City performance, particularly public outreach.

Staff recommends the City conduct a community survey prior to placing items on the ballot, particularly if the City is contemplating multiple ballot items.

Potential Polling Items

Second Home Tax: A second home tax would create an annual tax on people who own a home that is generally unoccupied. In California, this concept was first put in place in the City of Oakland in 2018. The Oakland second home tax is a \$3,000-\$6,000 annual assessment on homes that are occupied for less than 50 days per year. The purpose behind second home taxes is generally to discourage vacant properties and preserve existing housing stock for people to utilize as a primary residence. The City of San Francisco and community members in Santa Cruz are reportedly considering such a tax.

According to the US Census Bureau, approximately 410 units in Capitola are classified as "seasonal, recreation or occasional use." An additional 104 are classified as "other vacant," a portion of which may be subject to a second home tax¹.

Clearly the biggest challenge behind a second home tax would be enforcement. Staff has reached

¹ The Oakland second home tax exempts units that are in active construction and during the settlement of an estate, both of which are included in the Census "other vacant" category.

out to other jurisdictions who are considering such a tax to research enforcement models. In addition, staff has been in contact with local utilities to learn what data might be available to help ensure equitable enforcement. Should Council wish to poll a second home tax, staff would continue to research enforcement options, which could be presented alongside polling results.

The City of Capitola has never polled voter opinions regarding a potential second home tax.

Temporary Sales Tax: The City of Capitola currently has two local 0.25% “district” sale tax measures. Measures O, which is permanent, and Measure F, which expires in 2027. Both district taxes are general taxes, in that the revenues are allocated to the City’s General Fund. However, Measure F was passed with the intention of using the funds to support renovations to the wharf and City’s beach-front infrastructure and public safety. The actual language from the ballot states the tax will be used to pay for, “general City programs and services, including public safety, wharf, beaches, parks, and street and sidewalk improvements.”

Each 0.25% district tax generates about \$1 million per year. Capitola’s total sales tax rate is 9%, of which the City receives 1.5% (1% Bradley Burns plus Measures O/F). Because the district taxes have generally not kept up with inflation, staff suggests that a potential new district tax should be utilized for a focused purpose over a limited timeframe. For example, the City could consider a new 0.5% district tax for five-seven years that would be restricted to road improvements. This would potentially allow the City to invest between \$8-\$14 million to resurface roads and make significant improvements to the City’s pavement management index.

Generally, City of Capitola voters have supported district sales tax measures, provided the tax is designated for projects of community interest and/or concern.

Utility Users Tax (UUT): Currently the City of Capitola does not have a UUT in place. Cities that assess UTTs generally charge between 1 percent to 11 percent and the utilities subject to the UUT varies from city to city. The most common UTTs are applied to telephone, electricity, and gas services followed by cable television and water service. Approximately half of California residents pay a UUT, which provides an average of 15 percent of general fund revenues to those jurisdictions. The most common rate is 5 percent and the average rate is 5.4 percent.

In Santa Cruz County the cities of Santa Cruz, Watsonville, and Scotts Valley all have UTTs. The City of Santa Cruz UUT is 8.5 percent on all utilities and generates \$10.7 million annually (or 16 percent of general fund revenues) with an annual per capita cost of \$161. In Watsonville the UUT is 5.5 percent on telephone and cable television and 6 percent on electricity, gas, and water, and generates approximately \$3 million annually (or 13 percent of general fund revenues) with an annual per capita cost of \$66. Finally, Scotts Valley levies a 4 percent UUT on electricity and gas generating approximately \$600,000 annually (or 7 percent of general fund revenues) with an annual per capita cost of \$55.

In 2020 the City of Capitola polled voter opinions regarding a potential UUT and less than 50% of likely voters indicated they would “definitely or probably” support such a tax. Given those recent poll results staff does not recommend polling a UUT at this time.

At the March 15 Finance Advisory Committee (FAC) meeting, staff presented several potential 2022 ballot measures for consideration including a Utility Users Tax, Special District Sales Tax, an extension of Measure F, Vacant Second Home Parcel Tax, and possible changes to the Transient Occupancy Tax (TOT). After discussion, the FAC recommended the polling contract question participants regarding a Vacant Second Home Parcel Tax but did not feel the timing was right for the other potential ballot measures.

The attached polling contract proposal from Gene Bregman and Associates would complete the survey work in time for the Council to review the results prior to the deadline to place a measure on the November 2020 ballot.

Fiscal Impact: Funding for the not to exceed \$17,000 polling contract would be allocated from contract savings and the City Manager Unanticipated Events account, as outlined in the attached Budget Adjustment.

Attachments:

1. Bregman and Associates Polling Proposal
2. Proposed resolution with budget amendment

Report Prepared By: Report Prepared By: Jamie Goldstein, City Manager

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