



Kate Harrison  
Councilmember, District 4

CONSENT CALENDAR  
April 25, 2023

To: Honorable Mayor and Members of the City Council  
 From: Councilmember Harrison  
 Subject: Referring \$372,000 to the June 2023 Budget Process for Staffing Costs Associated with Administering the Empty Homes Tax

RECOMMENDATION

Refer \$372,000 to the June 2023 Budget Process for annual City staffing costs to administer the Empty Homes Tax:

Accounting Office Specialist III (Finance)	0.25 FTE - \$38,750
Associate Planner (Rent Stabilization Board)	1 FTE - \$185,670
Office Specialist II (Rent Stabilization Board)	1 FTE - \$115,000
Mailing Costs for Outreach and Noticing (Rent Stabilization Board)	\$10,000
7.4% Overhead Costs for Counselors, General Counsel, and Office of Executive Director (Rent Stabilization Board)	\$22,250

CURRENT SITUATION, EFFECTS, AND RATIONALE FOR RECOMMENDATION

On November 8, 2022 nearly two thirds of Berkeley voters approved Measure M, the Empty Homes Vacancy Tax, intended to incentivize owners of housing property to bring units back on the market and discourage speculation. The law will go into effect beginning January 1, 2024 and is expected to identify thousands of vacant units that could be candidates for acquisition, while also generating millions of dollars in revenue for housing acquisition and production. City staff are needed to administer the tax. As a general tax, funds from the Empty Homes Tax will be placed into the General Fund.

Section 7.54.070 of the tax specifies that “[t]he City Manager or their designee shall enforce the provisions of this Chapter and may prescribe, adopt, and enforce rules and

regulations relating to the administration and enforcement of this chapter.” Therefore, in order to implement the tax consistent with the timeline approved by voters, it is in the public interest to budget appropriate staffing to ensure the tax is operational consistent with the timeline and scope approved by voters.

**BACKGROUND**

The Rent Stabilization Board is poised to handle the outreach, noticing, and customer service facing portion of the tax implementation.

As is done in neighboring cities like Oakland, it is necessary for the City to first establish and maintain a list of properties that may be subject to tax. The primary data point underpinning the Empty Homes Tax is the Rent Stabilization Board’s “not available to rent” (NAR) list. This list includes rental unit owners who have indicated to the City that they no longer intend to rent out their property, which in theory indefinitely takes it off the market and relieves them of their duty to pay Rent Board fees. In 2022, 1,128 fully or partially rent control regulated units have been classified by their owners as indefinitely removed from the market.

This budget referral includes a 1 FTE planner within the Rent Stabilization Board whose role will be helping to review the NAR list and other relevant lists, and conducting field visits as appropriate to determine and maintain a scope of potential and actual properties subject to the tax for outreach and noticing purpose. Using the list of properties potentially subject to the tax, the Planner will coordinate with the Finance Department to contact and/or notice owners up to three times about the tax rules and regulations, including exemptions, and procedures for paying the tax. The Board estimates an annual \$10,000 for mailing costs. The planner may also help coordinate and run community/townhall meetings to provide information and answer questions from affected property owners.

In addition, the Rent Stabilization Board will maintain 1 FTE Office Specialist II position to assist with administrative work, and to assist the planner and other Board staff in establishing a general interface for property owners. This interface will include a dedicated phone line that will be monitored for email/phone inquiries associated with the tax.

To calculate, assess, and collect the tax, this item includes 0.25 FTE for an Accounting Office Specialist III within the Finance Department.

As in Oakland, annual administration costs may drop after the first year.

It is in the public interest to fulfill the voters’ will as part of the June, 2023 budget process.

**FISCAL IMPACTS OF RECOMMENDATION**

\$372,000 in General Funds for the first year in staffing costs to administer the Empty Homes Tax.

ENVIRONMENTAL SUSTAINABILITY

Incentivizing the restoration of underutilized existing housing stock is a lower carbon alternative to demolition and new construction.

CONTACT PERSON

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