



CITY OF ALBANY CITY COUNCIL AGENDA STAFF REPORT

Agenda Date: March 4, 2024
Reviewed by: NA

SUBJECT: Revenue Measures for Funding Core City Services –
Sidewalk Parcel Tax

REPORT BY: Devora Zauderer, Public Works Program Manager
Mark Hurley, Public Works Director/City Engineer

SUMMARY

This is a follow-up action item from the staff presentation on October 2, 2023, regarding funding core City services. Staff has completed analysis with financial advisory consultant NBS regarding extension of the City's Sidewalk Parcel Tax (Measure P1, 2016) and continued support for the successful Sidewalk Repair Program (CIP No. 22000). This report summarizes potential scenarios for the ballot measure to be included in the November 2024 election for renewal of the tax.

STAFF RECOMMENDATION

That the Council receive a presentation regarding the proposed Sidewalk Parcel Tax extension and provide direction regarding the proposed rates and term of the tax.

BACKGROUND

Albany's Measure P1 Sidewalk Parcel Tax was adopted by the voters in 2016 and is scheduled to sunset in 2026. The tax has levied approximately \$1.4 million since inception. To date, eight Phases of the Sidewalk Repair Program have been completed, utilizing approximately \$1.17 million of Measure P1 funds. A summary of Sidewalk Repair Program accomplishments was presented to the City Council on [February 5, 2024 \(Item 8-1\)](#).

At the [October 2, 2023 City Council meeting](#), staff outlined proposed next steps for addressing the emergent need for revenue adjustments for core City infrastructure systems. The Council supported renewal of the Sidewalk Parcel Tax to ensure continuation of the successful Sidewalk Repair Program. The Council also indicated priority updates to the scope of the tax, as detailed below. Following the Council meeting, the City entered into a contract with NBS Financial Group to perform analysis of the tax's history and potential scenarios for renewal.

DISCUSSION

There are several key components to the extension of the Sidewalk Parcel Tax to best support the Sidewalk Repair Program going forward. The following considerations are included in staff's recommendation for the structure of the renewal and associated policy.

Capital Improvements

While the first eight phases of the Sidewalk Repair Program covered a major scope of work considered to be "critical repairs" throughout the City, there are still significant defects in the City's sidewalk network, as assessed by the 2021 Citywide sidewalk survey.

The following is a listing of the number of remaining "significant" repair locations grouped by defect classification per the 2021 survey:

- Vertical/Linear Discontinuities ≥ 2 " : 148
- NoPAR (No Parallel Alternative Route): 72
- NoBPOT (No Best Path of Travel): 1,049
- Horizontal Openings $> \frac{3}{4}$ " : 1,693

Projects addressing locations identified by this survey, in addition to any new or worsening sidewalk defects, require continuing funding to plan and deliver.

Program Development

While other expenditures are allowable under the existing ordinance, to date tax revenue has primarily been expended on design and construction costs for capital improvement projects. Increase to tax revenue would allow for both continued investment in ongoing capital projects and inclusion of other key program components, as supported by the Council at the October meeting:

- Annual maintenance activities such as sidewalk shaving (Approx. \$30,000 annually)
- Program management and project engineering staff costs (Approx. \$80,000 annually, based on costs for 0.5 FTE)
- Sidewalk condition assessment & survey, to be performed every 5 years (\$125,000 every 5 years, or \$25,000 annually)

These costs were previously absorbed by the Public Works Operating Budget, but are more appropriate to be considered as part of the Capital Improvement Program. Further, as overall impacts to the general fund.

Renewal Scenarios

NBS has modeled potential scenarios for increases to the tax levy as follows.

Scenario	Revenue Target
Existing Parcel Tax Revenue	\$226,000
25% Increase	\$282,500
50% Increase	\$339,000
75% Increase	\$395,500
100% Increase	\$452,000

At this time, based on capital program needs and the analysis performed by the consultant, it is recommended to propose a 50% increase to the voters, bringing in approximately \$114,000 more revenue annually to the program.

The current rate for single-family residential parcels with square footage of 2,501-5,000 (the majority of parcels in the City) is \$43.14 per year, or \$3.60 per month. With the recommended increase to annual revenue of 50%, this rate would increase to \$65 per year, or \$5.42 monthly.

Additionally, the current tax includes an annual rate escalator of 2% or Consumer Price Index (CPI), whichever is lower. This annual rate escalator could be increased to 3% which is more of a standard value as noted in the consultant’s report.

Other Considerations

At the October 2023 meeting, incorporation of other infrastructure systems such as streetlighting or street trees was also discussed; it was concluded that though there is merit to potentially consolidating maintenance and repair responsibilities for this section of the public right-of-way in the longer term, both streetlighting and street tree programs require completion of planning efforts, development of related policy, and buildout of potential project scopes and costs. At this time, budgetary and program details have not been sufficiently developed to incorporate into the measure and may put the current sidewalk program at risk by prematurely asking voters to support other program expansions.

The consultant has recommended clarification of ordinance language for vacant and church-owned property for the sake of specificity. No changes to the methodology of tax levy for these cases are recommended.

The consultant has also recommended clarification of treatment of Accessory Dwelling Units (ADUs). As the City’s policy development around ADUs is still evolving, and any revenue from the current 90 registered ADUs in the City at this time would be minimal in proportion to the administration required, no adjustment to the methodology of the tax is recommended at this time.

SUSTAINABILITY CONSIDERATIONS

Albany residents have identified safe, passable sidewalks as an important aspect of quality of life and have invested in this value through the Measure P1 Sidewalk Parcel Tax. Well-constructed and maintained sidewalks encourage pedestrian travel throughout the City, which in addition to other modes of active transportation, reduces motorized travel and associated air pollution.

SOCIAL EQUITY AND INCLUSIVITY CONSIDERATIONS

The Program has improved sidewalk conditions, upgraded curb ramps, and improved pedestrian visibility (during Phase 7 comprehensive repairs), all of which enhance accessibility and walkability within the City. Ultimately, these improvements allow for greater pedestrian mobility for all ages and abilities, promoting and supporting active transportation.

The Sidewalk Parcel Tax includes income-based exemptions, which residents can apply for through the City website.

CITY COUNCIL STRATEGIC PLAN INITIATIVES

Goal 1: Advance Climate Action & Adaptation

The City's Climate Action & Adaptation Plan serves as an instructional plan that identifies programs and projects that are intended to reduce greenhouse gas emissions, as well as measures to adapt to climate change impacts. Transportation is identified as the highest source of greenhouse gas emissions in Albany and increasing active transportation, such as walking, is a priority.

Goal 3: Promote Streets that Support Safety & Transportation Mobility Options

The City's Local Roadway Safety Plan in connectivity with the Active Transportation Plan (ATP) help guide transportation and mobility enhancement projects within the City. The ATP identifies upgrading sidewalks and curb ramps to meet ADA standards. A key parameter of the ATP's implementation and success is to increase the bicycling and walking trip mode share.

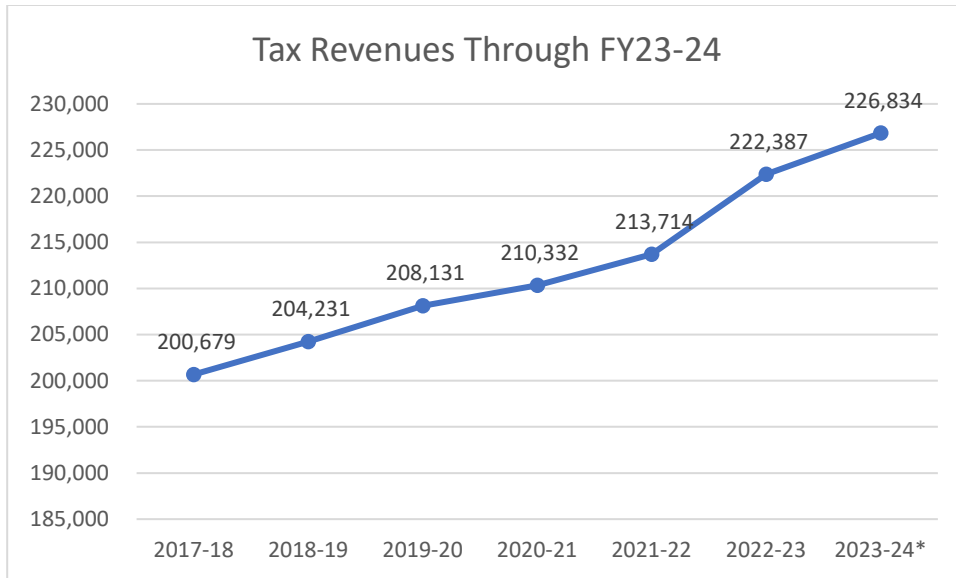
Goal 5: Increase Revenue to Sustain City Services

Renewing the Sidewalk Parcel Tax enables continuation of the Sidewalk Repair Program. As the City is currently budgeting a deficit in the General Fund, and sidewalk maintenance and repair is technically the responsibility of the adjacent property owner as per California state law, funding to the program would not be available without the voter-adopted Sidewalk Parcel Tax.

FINANCIAL CONSIDERATIONS

As noted in the discussion section above, increases to the tax levy and continuation of the levy for a 10-year period from expiry will allow the program to continue, with desired expansions to scope incorporated.

The following table illustrates revenues to date, including projected revenue for FY23-24.



**Estimated - Fiscal Year in Progress*

Expenditure of the tax revenue to date breaks down as follows:

Expenditure	Cost (Spent & Encumbered)
Sidewalk Repair Program	\$ 1,168,084
Fund Administration	\$ 54,407
Total:	\$ 1,222,491

The consultant’s memo attached to this report outlines changes to tax rates as per each potential levy scenario, as well as considerations for low-income exemptions as are extant in the current tax.

NEXT STEPS

Staff will work with legal counsel to prepare a ballot measure and ordinance update. This item will be brought to the Council in Spring 2024 for authorization to place on the November 2024 ballot.

Attachments

1. NBS Sidewalk Parcel Tax Modeling Memo

MEMORANDUM

TO: Devora Zauderer, Program Manager, City of Albany Public Works

FROM: Sara Mares, Director

DATE: February 22, 2024

SUBJECT: Sidewalk Parcel Tax Modeling

Purpose

The City of Albany (the “City”) has requested evaluation and modeling related to the potential extension of the City’s existing “City of Albany Safe and Accessible Sidewalks Special Parcel Tax” (the “Sidewalks Special Parcel Tax”). This memorandum summarizes the revenue and program considerations and provides estimates of the rates at various budget levels for consideration.

Current Parcel Tax

Following extensive public outreach and engagement efforts, Albany residents prioritized investment in the City’s sidewalks to ensure that pedestrians, including individuals with disabilities that affect mobility, are able to move safely throughout the City without using cars. Addressing deferred maintenance would require a dedicated source of funding to accelerate urgent work on the sidewalks to improve safety, avoiding additional costs of deferring the work further. The benefits of repairing and upgrading the City’s sidewalk system include the value to public health and welfare of reducing vehicular travel, and shifting travel to walking, biking and public transit. The City’s current Sidewalks Special Parcel Tax was approved by voters on November 8, 2016, and is set to expire on December 31, 2026. The City assessed the sidewalk system, identified safety issues, and prioritized locations for repair based on which locations provide the most benefit to the community at large. Multiple phases of sidewalk repair have been completed at hundreds of locations throughout the City following the availability of funds from the Sidewalks Special Parcel Tax, as detailed below.

The structure of the Sidewalks Special Parcel Tax, which has different rates for parcels of differing land uses and sizes, attempts to fund the need in a manner that recognizes the impacts of those parcels on the sidewalk system. While not required of a tax, it can be helpful to utilize a tax structure that is perceived as being equitably allocated. The inclusion of a low-income exemption for both owner-occupied property and for renters also speaks to the values of the Albany community. While only requiring two-thirds of the votes cast to be in favor, Measure P1 received 78.6% approval from voters. This very high approval threshold suggests that the Sidewalks Special Parcel Tax held widespread appeal to voters when it was approved.

The City is somewhat unique in their approach to funding a variety of specific needs with relatively small Special Taxes. In addition to the Sidewalks Special Parcel Tax, voters have approved measures for library services, emergency medical services, and parks/open space. Many local agencies have been less successful in their utilization of parcel taxes, perhaps because they are not as narrowly framed to a specific objective.

Rates

The following table shows the Sidewalks Special Parcel Tax rates for each parcel type for Fiscal Year 2023/24:

Parcel Type	Size of Parcel (SqFt)	Rate per Parcel/Unit
Single-Family Residential	0 - 2,500	\$30.81 per Parcel
	2,501 - 5,000	43.14 per Parcel
	Over 5,000	55.47 per Parcel
Condominium/Townhouse	Not Applicable	17.25 per Unit
Multi-Family Residential	Not Applicable	17.25 per Unit
Non-Residential	0 - 5,000	55.47 per Parcel
	5,001 - 10,000	80.24 per Parcel
	10,001 - 20,000	86.28 per Parcel
	20,001 and above	98.79 per Parcel

The Sidewalks Special Parcel Tax rates increase by the April-to-April change in the Consumer Price Index or 2%, whichever is less. Historical Special Tax rates are shown in the table below:

Parcel Type	Size of Parcel (SqFt)	2022/23 Rates	2021/22 Rates	2020/21 Rates	2019/20 Rates	2018/19 Rates	2017/18 Rates
Single-Family Residential	0 - 2,500	\$30.20	\$29.61	\$29.03	\$28.71	\$28.14	\$27.60
	2,501 - 5,000	42.30	41.47	40.65	40.21	39.42	38.65
	Over 5,000	54.38	53.31	52.27	51.69	50.68	49.69
Condominium/Townhouse	Not Applicable	16.92	16.58	16.26	16.08	15.17	15.46
Multi-Family Residential	Not Applicable	16.92	16.58	16.26	16.08	15.76	15.46
Non-Residential	0 - 5,000	54.38	53.31	52.27	51.69	50.68	49.69
	5,001 - 10,000	78.66	77.12	75.61	74.78	73.30	71.88
	10,001 - 20,000	84.59	82.93	81.30	80.41	78.82	77.29
	20,001 and above	96.85	94.95	93.09	92.07	90.26	88.50

The application of the modest inflator has resulted in rates increasing a little less than \$6 per parcel for the largest single-family residential parcels and a little more than \$10 for the largest nonresidential parcels. It is also important to note that inflation overall was relatively low in the early term of the Sidewalks Special Parcel Tax and has been considerably higher the last couple of years seeing rates in the 4-8% range while the Special Tax was capped at a 2% inflator.

Revenue

The following table shows the total levy amounts for each parcel type for Fiscal Year 2023/24:

Parcel Type	Size of Parcel (SqFt)	Parcel Count	Total Levy Amount
Single-Family Residential	0 - 2,500	571	\$17,740.90
	2,501 - 5,000	2,671	117,427.08
	Over 5,000	359	20,853.30
Condominium/Townhouse	Not Applicable	1,082	18,653.68
Multi-Family Residential	Not Applicable	466	32,498.30
Non-Residential	0 - 5,000	166	9,206.36
	5,001 - 10,000	63	5,055.12
	10,001 - 20,000	30	2,588.40
	20,001 and above	20	1,975.60
Totals:		5,428	\$225,998.74

Total Sidewalks Special Parcel Tax levied historically is shown in the table below:

Fiscal Year	Special Tax Levy
2022/23	\$222,386.68
2021/22	213,714.40
2020/21	210,332.20
2019/20	208,131.34
2018/19	204,230.80
2017/18	200,678.78

Income Based Exemptions

Only those homeowners or renters who reside within the City and whose income qualifies as “very low-income,” as defined by the United States Department of Housing and Urban Development, are eligible for this exemption. The limits are based on two factors: (1) the size of the household (the number of persons living at that address); and (2) the combined “Family⁽¹⁾” income for the previous calendar year.

The qualifying income levels used for Fiscal Year 2023/24 are as follows:

Household Size	1	2	3	4	5	6	7	8
Maximum Annual "Family" Income ⁽¹⁾	\$50,000	\$57,150	\$64,300	\$71,400	\$77,150	\$82,850	\$88,550	\$94,250

(1) The City Municipal Code (§4-14.3) defines “Family” to include one or more persons related by blood, marriage, or adoption, or all unrelated persons who are living in a single Residential Unit and maintaining a common household.

The following table provides a summary of approved Low-Income Exemptions for Fiscal Year 2023/24:

Parcel Type	Parcel Count	Total Levy Amount
Single-Family	61	\$0.00
Condominium	13	0.00
Multiple-Family	7	0.00
Renters Rebate ⁽¹⁾	35	671.55
Totals:	116	\$671.55

(1) Rebates are issued by the City to renters who qualify for the Low-Income Exemption.

The following table shows the historical number of exemptions approved:

Fiscal Year	Exemptions Approved ⁽¹⁾
2022/23	75
2021/22	90
2020/21	62
2019/20	67
2018/19	68
2017/18	57

(1) Does not include Renters Rebates issued by the City.

Program Work Accomplished

The City has taken a programmatic approach to identifying sidewalk locations needing repair and the available Sidewalks Special Parcel Tax revenue has allowed the City to make significant headway in addressing issues that had not been addressed due to lack of funding for many years. To date the City has made repairs at almost 400 locations throughout the City.

- **Phase 1** – Completed in 2018: 40 locations repaired
- **Phase 2** – Completed 2018/19: 68 locations repaired
- **Phase 3** – Completed 2020: 48 locations repaired, covering 6,500 square feet of sidewalk
- **Phase 4** – Completed 2021: 58 locations repaired, covering 9,500 square feet of sidewalk
- **Phase 5** – Completed 2022: 48 locations repaired, covering 7,300 square feet of sidewalk
- **Phase 6** – Completed 2022: 34 locations repaired, covering 5,000 square feet of sidewalk
- **Phase 7** – Completed 2023: 50 locations repaired, covering 7,400 square feet of sidewalk
- **Phase 8** – Completed 2023: 44 locations repaired, covering 6,800 square feet of sidewalk

In 2021, the City partnered with Beneficial Designs to perform a comprehensive survey of the City's sidewalks. Information regarding the survey and its integration into a more comprehensive and data-driven project design process can be found on the City's [website](#). Residents can report immediate hazards via the City's Service Request Portal.

Parcel Tax Extension

Assumptions

As the program work detailed above reveals, the current program related to sidewalk improvements, which is primarily funded by the existing parcel tax, has been successful. The City has been able to make a

substantial number of repairs throughout the City and establish methods for systematic improvements to this critical component of the pedestrian mobility network.

Given this success, an extension of the Sidewalks Special Parcel Tax would allow the City to continue the Sidewalk Repair program and potentially consider a broader range of activities.

Revenue Targets

For purposes of modeling an extension of the Sidewalks Special Parcel Tax, NBS has initially evaluated four revenue target scenarios, as shown below:

Scenario	Revenue Target
Current Sidewalks Special Parcel Tax Revenue	\$226,000
25% Revenue Increase	282,500
50% Revenue Increase	339,000
75% Revenue Increase	395,500
100% Revenue Increase	452,000

These revenue targets are meant to provide the City with sufficient rate data to determine what activities might be funded based on the revenue generated at each rate and to finalize preparation of a measure for the ballot.

Extended Sidewalks Special Parcel Tax Structure

The current ordinance describing the Sidewalks Special Parcel Tax is sufficient; however, NBS recommends clarifying some of the language in the ordinance given the opportunity afforded by the process of extension. The following areas are those NBS identified as those that would benefit from some more specificity:

- **Accessory Dwelling Units (ADUs).** Through various changes to state law, ADUs are becoming more and more common and recently the ability to parcelize and convey ADUs separately from primary units has been codified. NBS recommends adding ADUs as a land use category with specificity on how an ADU may or may not be taxed whether it is a separate parcel from the primary unit or not. It is noted that according to 2023/24 County data, there are 90 parcels that contain ADUs in addition to primary units. Based on the few current ADUs the potential additional revenue is fairly minimal.
- **Undeveloped Property.** NBS recommends explicitly stating in the ordinance that undeveloped property will be taxed based on the expected land use at the same rate as that land use. Meaning undeveloped single-family residential will be taxed at the same rate as single-family residential. This recommendation is a language clarification, not a change to the current methodology. Based on the 2023/24 County data, there are 24 parcels of taxable undeveloped property in the City.
- **Church-Owned Property.** In light of the Valley Baptist Church v. City of San Rafael case, NBS recommends the ordinance include explicit language around how church-owned property is to be treated. This case involves a church-owned property and their claim of exemption from Special Taxes, along with general ad valorem property taxes. In summary, the court decided that the constitutional articles added by Propositions 13 and 218 do not evince an intent by the electorate

to extend the scope of the general property tax exemption to special taxes. Based on the 2023/24 County data, there are five church parcels within the City.

Rates

The following table shows the resulting annual tax rates at each of the proposed target revenue amounts:

Parcel Type	Size of Parcel (SqFt)	Tax per	Current Rate	25% Revenue Increase	50% Revenue Increase	75% Revenue Increase	100% Revenue Increase
Single-Family	0 - 2,500	Parcel	\$30.81	\$39	\$47	\$54	\$62
	2,501 - 5,000	Parcel	43.14	54	65	76	87
	Over 5,000	Parcel	55.47	70	84	98	111
Condominium/ Townhouse	Not Applicable	Unit	17.25	22	26	31	35
Multi-Family	Not Applicable	Unit	17.25	22	26	31	35
Non-Residential	0 - 5,000	Parcel	55.47	70	84	98	111
	5,001 - 10,000	Parcel	80.24	101	121	141	161
	10,001 - 20,000	Parcel	86.28	108	130	151	173
	Over 20,001	Parcel	98.79	124	149	173	198

The current rate for the middle single family residential category (representing the majority of parcels in the City) equates to \$3.60 per month. At the rates which reflect a 50% revenue increase, that same parcel would pay \$5.42 monthly.

Revenue

The rates above, inflated by a maximum inflator of 2% annually, are anticipated to generate between \$3 million and almost \$5 million over the recommended 10-year term as shown below:

Fiscal Year	25% Revenue Increase	50% Revenue Increase	75% Revenue Increase	100% Revenue Increase
2027/28 Revenue	\$282,500	\$339,000	\$395,500	\$452,000
2028/29 Revenue	288,150	345,780	403,410	461,040
2029/30 Revenue	293,913	352,696	411,478	470,261
2030/31 Revenue	299,791	359,750	419,708	479,666
2031/32 Revenue	305,787	366,945	428,102	489,259
2032/33 Revenue	311,903	374,283	436,664	499,045
2033/34 Revenue	318,141	381,769	445,397	509,025
2034/35 Revenue	324,504	389,404	454,305	519,206
2035/36 Revenue	330,994	397,193	463,391	529,590
2036/37 Revenue	337,614	405,136	472,659	540,182
Total Revenue	\$3,093,296	\$3,711,955	\$4,330,615	\$4,949,274

The rates above, inflated by a maximum inflator of 3% annually, are anticipated to generate between \$3.2 million and almost \$5.2 million over the recommended 10-year term as shown below:

Fiscal Year	25% Revenue Increase	50% Revenue Increase	75% Revenue Increase	100% Revenue Increase
2027/28 Revenue	\$282,500	\$339,000	\$395,500	\$452,000
2028/29 Revenue	290,975	349,170	407,365	465,560
2029/30 Revenue	299,704	359,645	419,586	479,527
2030/31 Revenue	308,695	370,434	432,174	493,913
2031/32 Revenue	317,956	381,547	445,139	508,730
2032/33 Revenue	327,495	392,994	458,493	523,992
2033/34 Revenue	337,320	404,784	472,248	539,712
2034/35 Revenue	347,439	416,927	486,415	555,903
2035/36 Revenue	357,863	429,435	501,008	572,580
2036/37 Revenue	368,598	442,318	516,038	589,757
Total Revenue	\$3,238,546	\$3,886,255	\$4,533,964	\$5,181,673

It is important that the rates continue to increase annually in order to keep up with the costs of performing the work of the Sidewalk Repair Program. The specific annual increase should be selected in consideration of the program activities and revenue needs.

Income Based Exemption

These annual rates are estimated assuming that the same income-based exemption is carried forward with the extension of the Sidewalks Special Parcel Tax and that the same number and type of units are exempt in the future as are exempt in 2023/24. NBS recommends including the same exemption as the community has supported that in the past in multiple measures and will likely expect that to continue.

Term and Remaining Program Work

Feedback regarding the City’s Sidewalk Repair Program has been overall positive. In order to maintain revenue stability and continue to fund projects within the program, an extension for a term of 10 years is recommended. The Sidewalks Special Parcel Tax has been critical to the successful completion of hundreds of repairs as part of the Sidewalk Repair Program, which is a component of the City’s adopted Capital Improvement Program. Thousands of square feet of sidewalk have been repaired or replaced; however, this work represents only a small portion of the City’s sidewalks. Plans to conduct ongoing activities to ensure that the sidewalk system continues to be the critical link in the City’s transportation network. The Program is a key factor in promoting non-vehicular mobility and in turn fosters the benefits to public health and welfare of reducing vehicle miles traveled. The proposed extension of the Sidewalks Special Parcel Tax term of 10 years would allow for this success to continue and extend on into the future, while giving voters the ability to determine funding priorities.