



AGENDA REPORT

Finance Department

DATE:	July 19, 2022
TO:	Mayor Butt and Members of the City Council
FROM:	Delmy Cuellar, Director of Finance Antonio Banuelos, Accounting Manager Gabino Arredondo, Project Manager
Subject:	Ordinance Allowing for the Credit of Rent Board Fees Paid by Landlords with Four or Fewer Rental Units Against the Gross Receipts Tax Obligation
FINANCIAL IMPACT:	The financial impact of adopting the proposed Ordinance allowing for the credit of Rent Board fees paid by landlords owning four or less residential units is approximately \$1.6 million less business tax collected per year. The FY 2022-2023 budget already includes this reduction in General Fund business tax revenue.
PREVIOUS COUNCIL ACTION:	November 16, 2021 December 21, 2021 July 5, 2022
STATEMENT OF THE ISSUE:	This proposed Ordinance allows for the crediting of Rent Board fees paid by landlords with four or fewer residential units against their gross receipts tax obligation.
RECOMMENDED ACTION:	ADOPT an ordinance (second reading) allowing landlords with four or fewer residential units to credit their paid Rent Board fees against their gross receipts tax obligation – Finance Department (Delmy Cuellar 510-620-6740/ Antonio Banuelos 510-620-6741).

DISCUSSION:

City Council placed a measure on the November 3, 2020, ballot that was approved by the voters, which changed the Business Tax calculation methodology to be based on gross receipts instead of the prior method based upon the number of employees employed by a business.

Rent Board Fee Credit

At the November 23, 2021, City Council directed City staff to prepare Measure U regulations to allow landlords of four or fewer residential units to credit their paid Rent Board fees against their gross receipts tax obligation for the same period.

On December 21, 2021, City Council approved a Resolution allowing landlords with four or fewer residential units to credit their paid Rent Board fees against their gross receipts business tax obligation. The approved resolution only gave direction for one year. The proposed Ordinance will codify City Council direction that is currently in place and the item will not need to return to City Council for further extension.

Measure U was projected to result in new revenue growth of over \$6 million per year (\$9.5 million total) in Business Tax revenues assuming full implementation of Measure U. The City's estimate included revenues anticipated from both residential properties as well as commercial businesses operating in Richmond. Based on current Rent Board rates, approximately \$1.6 million is paid by owners of small residential properties. This amount will be credited to their Business Tax and thus will reduce the Business Tax collected. The proposed FY 2022-2023 budget includes the \$1.6 million reduction from residential rental properties.

The proposed Ordinance implements City Council's direction, which would require a landlord to demonstrate that the Rent Board fees were paid in a timely manner to receive the gross receipts tax credit.

Next Steps

During the next few weeks, City staff will continue to provide information and support to the business community. The Finance Department will provide enhanced business tax advice services to the Richmond business community, which includes in person, phone calls, through our online payment portal, and through virtual online appointments. The community can leave questions for Finance staff on the business tax hotline at (510) 620-5555 or email measure_u_info@ci.richmond.ca.us and we will return these questions as quickly as possible.

DOCUMENTS ATTACHED:

Attachment 1 – Ordinance