



Memorandum

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Julia H. Cooper
Kim Walesh

SUBJECT: SEE BELOW

DATE: December 20, 2017

Approved

D. D. SyL

Date

12/21/17

SUBJECT: EXTEND THE BUSINESS TAX MODERNIZATION OUTREACH PLAN AND GRACE PERIOD TO JUNE 29, 2018

RECOMMENDATION

Approve an ordinance amending Section 4.76.290.5 to Chapter 4.76 of Title 4 of the San José Municipal Code to further extend the deadline from December 15, 2017 to June 29, 2018, for residential landlords of 1 or 2 units to register with the City and pay the Business Tax owed as of July 1, 2017, without incurring interest or penalties, to take effect retroactively on December 15, 2017.

OUTCOME

By extending the Business Tax registration grace period for residential landlords with 1 or 2 units will facilitate City staff's continued outreach efforts and ensure a greater rate of compliance from the new residential landlords.

BACKGROUND

The Business Tax Modernization Measure (Measure G) was approved by a majority of San José voters on November 8, 2016 with an effective date of July 1, 2017. To assist new business tax applicants affected by the measure, staff prepared a Business Tax Modernization Outreach Plan in which landlords with 1 or 2 units were notified of the new requirement to register and to pay the City's Business Tax¹. Although the new tax application went into effect in July, Council took action to extend the requirement for residential landlords to register with the City by December 15, 2017. During the grace period, penalties and interest were waived to facilitate the transition for the residential landlords.

¹ http://sanjose.granicus.com/MetaViewer.php?view_id=&event_id=2662&meta_id=604873

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Since July 1, 2017, the Finance Department mailed over 27,000 letters to potential residential landlords as identified from Santa Clara County property ownership records. As of December 15, 2017, only 11.7 percent, or 3,181, landlords have responded and registered their rental property with the City of San José.

At the December 13, 2017 Rules and Open Government Committee meeting, a memo from Councilmember Khamis was discussed regarding the Measure G tax application on new residential landlords². At the committee meeting Finance staff committed to bring forward an extension of the grace period for residential landlords.

ANALYSIS

The City's initial Business Tax Modernization Outreach Plan, which concluded on December 15, 2017, involved an extensive direct mailing, newspaper and media advertising campaign and resulted in the registration of approximately 3,200 new residential landlord business licenses. Approximately 24,000 business tax leads remain outstanding and require additional outreach to increase compliance. By extending the grace period for residential landlords of 1 or 2 units for an additional six month period (12 months total), applicants who did not register before December 15, 2017 would have the opportunity to register without penalty up through June 30, 2018. Staff resources would be utilized to maximize compliance by assisting new residential landlords register through the extended outreach and grace period. After the conclusion of the outreach and grace period, compliance efforts will be focused on delinquency and collection.

Extended Outreach Plan

For the extended outreach period, staff will conduct additional outreach efforts similar to efforts used in the initial outreach campaign, as follows:

Advertising

The Finance Department's advertisement plan will consist of radio ads, newspaper ads and updating the City public website. The outreach campaign will start in February 2018 and end in May 2018. Ads will focus on the following media: KRTY/KLIV, San Jose Mercury News and Silicon Valley Chamber of Commerce.

Direct Mailing

Notices will be sent to all potential landlords who have not responded to the original notice by registering with the City (approximately 24,000 non respondents to City inquiry). The notice will inform the landlord that the deadline to register their property is extended to June 29, 2018. Notices will be sent between January and April 2018.

² http://sanjose.granicus.com/MetaViewer.php?meta_id=701899

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Outreach to Business Organizations

Finance staff will provide additional outreach to the following organizations and associations: the Santa Clara County Association of Realtors, San José Silicon Valley Chamber of Commerce, Hispanic Chamber of Commerce Silicon Valley, Vietnamese American Chamber of Commerce, Black Chamber of Silicon Valley, Silicon Valley Leadership Group, Silicon Valley Small Business Development Centers of Northern California, and any neighborhood business association that requests an outreach event. These outreach efforts will occur between January and June 2018.

Community Meetings

Finance staff will respond to community requests for meetings, as necessary, to answer questions and educate residential landlords regarding the City's Business Tax program and recent modernization changes.

Outreach Program Administrative Expenses

The extended outreach efforts are projected to cost \$85,000.

EVALUATION AND FOLLOW-UP

Staff will provide an update to the Public Safety Finance and Strategic Support Committee in May 2018 with the results of the extended outreach as part of the Third Quarter Financial Report.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the January 9, 2018 Council agenda.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, Office of Economic Development and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

The memorandum does not require input from a board or commission.

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COST SUMMARY/IMPLICATIONS

As described above, the additional outreach efforts are projected to cost \$85,000. While the Finance Department will absorb these costs to the extent possible, a budget action may be brought forward during 2017-2018, as appropriate.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/
JULIA H. COOPER
Director of Finance

/s/
KIM WALES
Deputy City Manager
Director of Economic Development

For questions, please contact Lisa C. Taitano, Assistant Director of Finance, at (408) 535-7041.