SPUR

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# November 2018 Voter Guide

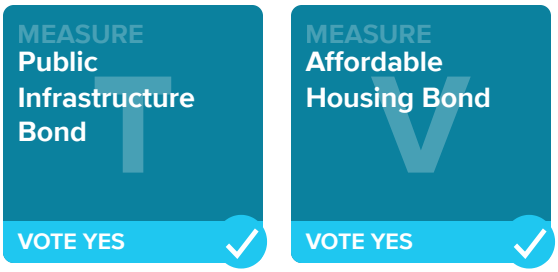
## Ballot analysis and recommendations

SPUR analyzed select local and state measures on the San Francisco, San José and Oakland ballots for the November 2018 election. Our analysis includes the background behind the measures, pros and cons, and a recommendation on how to vote.

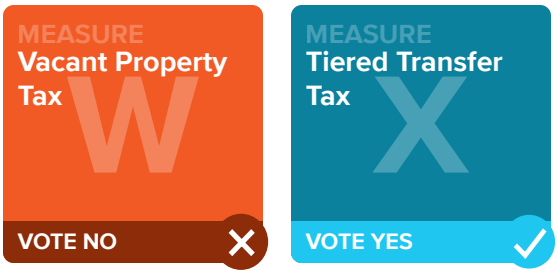
## San Francisco (SF)



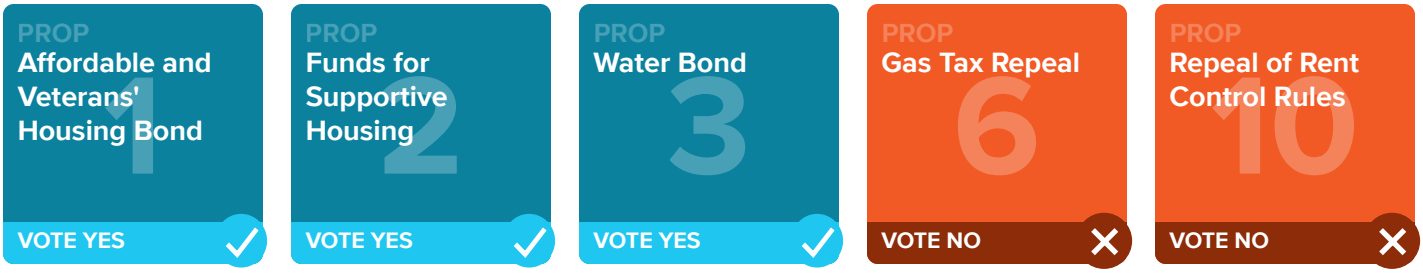

## San José (SJ)




## Oakland (OAK)



# California (CA)



SF Prop A

## Seawall Safety Bond

BOND

## Embarcadero Seawall Earthquake Safety Bond

Authorizes the City of San Francisco to issue $425 million in general obligation bonds for the improvement, seismic strengthening, reconstruction and repair of the hundred-year-old Embarcadero seawall and other critical infrastructure associated with it.

**Vote YES**

## SPUR's Recommendation

The Embarcadero seawall protects millions of dollars of assets and economic activity in the northeast part of San Francisco, as well as infrastructure of regional importance, such as communications, Muni and BART lines. Critically, the seawall is a lifesaving asset the city will rely on when the next major seismic event occurs, but currently it can't fulfill this function. While SPUR recognizes that this bond is not large enough to fund the full slate of waterfront improvements needed to protect the city from earthquakes and sea level rise, we believe it is an important first step toward shoring up one of the most seismically vulnerable and critical pieces of infrastructure in the Bay Area.

Read our complete analysis at spurvoterguide.org

SF Prop B

## Data Protection Guidelines

CHARTER AMENDMENT

## City Privacy Guidelines

Puts forward guidelines that any city department or the Board of Supervisors could enact to protect privacy in the collection, storage and sharing of personal information of San Francisco residents and visitors.

**Vote NO**

## SPUR's Recommendation

Recent events in the United States and elsewhere demonstrate the need to regulate how personal data is collected, stored and used — and government should be proactive in protecting citizens as technology evolves. This measure seeks to be forward-thinking and comprehensive, and including government agencies in the regulation is a worthy expansion of the current scope of California's new law around data privacy. However, SPUR believes that either the state or federal level is the more appropriate scale for regulating the collection and use of personal information, particularly for creating consistent rules for companies that operate across city boundaries. Prop. B is set at too small a scale to accomplish its stated intent.

Read our complete analysis at spurvoterguide.org

SF Prop C

# Business Tax for Homeless Services

ORDINANCE

# Additional Business Taxes to Fund Homeless Services

Imposes an additional tax on individuals and businesses that receive more than $50 million in gross income in San Francisco, to fund homelessness services and housing.

**Vote YES**

## SPUR's Recommendation

SPUR takes issue with the recent trend of one-off tax measures that support specific uses or affect specific sectors. We did not support June's Prop. C or Prop. D for this reason, calling instead for a more comprehensive effort to update the city's gross receipts tax. Besides falling short in this area, the measure would probably have significant impacts on businesses in San Francisco, given the scale of the tax increase.

But these concerns are overshadowed by San Francisco's homelessness challenge, which has reached visible crisis proportions. In a city with a thriving economy and a budget exceeding $11 billion, there are too many people who remain in need. This measure would generate significant funding to be spent in a holistic way, providing "upstream" services that prevent homelessness and bolster mental health support, as well as supporting a range of housing options for those experiencing homelessness or at risk of becoming homeless. Absent federal leadership on this issue, San Franciscans have the opportunity to make significant investments in short- and long-term solutions scaled to the scope of this challenge. After weighing both sides, SPUR believes Prop. C is worthy of support.

Read our complete analysis at spurvoterguide.org

SF Prop D

## Cannabis Tax and E-Commerce Tax

ORDINANCE

# Additional Tax on Cannabis Businesses; Expanding Business Tax Criteria

Levies an additional tax on the gross receipts of cannabis-related businesses in San Francisco and extends local business taxes to companies based elsewhere but doing business in San Francisco.

**No Recommendation**

## SPUR's Recommendation

As a new industry and a long-stigmatized substance, cannabis is in need of support and normalization in San Francisco. The first part of this measure intends to put revenues toward worthy programs to grow cannabis businesses, and the second part could help local businesses of all kinds better compete. There is merit to establishing a tax regime for cannabis early but structuring it with flexibility to allow businesses to adjust over time; the tax has been constructed thoughtfully and is being shared as a model with other jurisdictions in California.

On the other hand, taxing a fledgling industry at too high a rate and too soon could send businesses back to the black market. Cannabis retailers in particular face a high cost of doing business in San Francisco, which already includes an 8.5 percent local sales tax and a 15 percent state excise tax. The city could wait and gather data on the industry as it grows before imposing additional taxes. Moreover, San Francisco needs to adjust its gross receipts rates comprehensively across industries and fully phase out the payroll tax. SPUR's board was divided on these points and was not able to reach enough votes to recommend either a "yes" vote or a "no" vote on this measure.

Read our complete analysis at spurvoterguide.org

SF Prop E

## Hotel Tax for the Arts

ORDINANCE

## Partial Allocation of Hotel Tax for Arts and Cultural Purposes

Allocates a portion of the city's hotel tax for arts and culture programs.

**No Recommendation**

## SPUR's Recommendation

The arts are a defining element of San Francisco, drawing visitors, improving neighborhoods and contributing significantly to the local economy. More importantly, they enrich us as individuals and as a society: They teach compassion, strengthen our ties to each other and inform our political and social consciousness. The hotel tax has historically been a major source of funding for arts and culture programs in San Francisco, and this measure would restore that link with minimal impact on the city's General Fund. On the other hand, this measure would restrict city revenue and tie the hands of the Board of Supervisors, who will at some point in the future face an economic downturn and a number of competing needs with limited resources. SPUR's board was divided on these points and was not able to reach enough votes to recommend either a "yes" vote or a "no" vote on this measure.

Read our complete analysis at spurvoterguide.org

SJ Measure T

## Public Infrastructure Bond

BOND

## Disaster Preparedness, Public Safety and Infrastructure Bond

Authorizes the City of San Jose to issue $650 million in general obligation bonds to upgrade communications and emergency response facilities, prevent flooding and repair bridges, streets and other critical infrastructure.

**Vote YES**

## SPUR's Recommendation

SPUR supports investments in infrastructure that is needed over the long term. This measure will help to address San Jose's $1.39 billion-and-growing backlog in deferred maintenance and infrastructure needs. Further, the Bay Area is prone to earthquakes, floods and droughts, and it is already being impacted by sea level rise. Through flood prevention efforts, Measure T will help avoid events like the 2017 Coyote Creek flood. This measure will also help improve San Jose's emergency response communications and facilities so that the city can better deal with natural disasters that cannot be avoided. Measure T will provide funding for investments critical to the protection of people, infrastructure and the environment of San Jose.

Read our complete analysis at spurvoterguide.org

SJ Measure V

# Affordable Housing Bond

BOND

## Affordable Housing Bond

Authorizes the City of San Jose to issue $450 million in general obligation bonds to acquire and build affordable housing.

**Vote YES**

## SPUR's Recommendation

San Jose has traditionally been a good actor with regard to approving new housing construction and creating affordable housing for residents of the Bay Area. However, over time the Bay Area as a whole has not produced enough housing to keep up with the demand generated by continued economic growth and a desirable quality of life. As a result, San Jose has not been immune to the regional housing shortage. Home prices and rents have risen sharply, pricing out many low- and middle-income households that have traditionally found San Jose affordable. Homelessness has become an increasingly visible tragedy on the streets, and overcrowding or "doubling up" has become more and more common. Measure V is a key potential funding source that would help to alleviate the housing shortage by enabling the creation of thousands of affordable homes for all kinds of San Jose residents.

Read our complete analysis at spurvoterguide.org

**OAK Measure W**

# Vacant Property Tax

PARCEL TAX

## A Special Parcel Tax on Vacant Properties

Taxes vacant lots and unoccupied condominiums to raise funds to combat homelessness and illegal dumping.

**Vote NO**

## SPUR's Recommendation

There is a lot to like about Measure W. SPUR supports the concept of a vacant parcel tax, a tool that has been used in cities both around the country (Washington, D.C., Harrisburg, Pennsylvania) and around the world (Seoul, Korea, Marikina City, Philippines) to help move vacant land into active use and eliminate blight. Vacant parcel taxes, particularly in hot market cities, can help propel land owners to develop their properties. Some cities, such as Hartford, Connecticut, have experimented with raising taxes on vacant land while lowering them for new development. It makes sense for cities to tax the behavior they want to discourage (allowing parcels to remain vacant), while rewarding behavior they want to promote (building new housing, adding businesses).

However, we remain concerned about the city's ability to effectively implement this measure. The definition of what constitutes vacancy is very broad, and as such it may be difficult to determine when a parcel is "in use" or not. The exemptions are also very broadly defined, such as an owner being unable to develop a parcel due to a "demonstrable hardship that is not financial" or to an "exceptional circumstance." This vague language would make it very difficult for staff to implement the tax fairly. Lastly, we have concerns that this measure may have disproportionate impacts on small property owners because it is a flat tax.

Read our complete analysis at spurvoterguide.org

## OAK Measure X
## Tiered Transfer Tax

REGULAR MEASURE

## Amendment to the Real Property Transfer Tax to Establish Tiered Rates

Amends the Oakland property transfer tax to establish tiered rates based on the size of transaction; provides discounts to low- and moderate-income first-time homebuyers.

**Vote YES**

## SPUR's Recommendation

This measure has the potential to provide significant income to the City of Oakland while not negatively impacting the economy. Oakland's transfer tax has not been raised since 1993. While we have some concerns about ongoing increases to the overall set of taxes and fees on new construction, this measure itself is unlikely to have a negative impact on either new development or the economy as a whole.

Read our complete analysis at spurvoterguide.org

## CA Prop 1
## Affordable and Veterans' Housing Bond

BOND

## Authorizes Bonds to Fund Housing

Authorizes the state to issue $4 billion in general obligation bonds to support affordable housing.

**Vote YES**

## SPUR's Recommendation

The scale of California's housing shortage and the vast need for affordable housing in particular are pressing issues today, and serious investment in the creation and preservation of affordable housing is urgently needed. This bond measure is one important way to make housing more affordable to residents across California, whether through new construction, preservation or homebuyer assistance. Funds would be distributed through programs that are already up and running and that prioritize affordable and environmentally sustainable housing for California's future.

Read our complete analysis at spurvoterguide.org

## CA Prop 2
# Funds for Supportive Housing

STATUTE

## Authorizes Bonds to Fund Existing Housing Program for Individuals With Mental Illness

Authorizes the state to issue $2 billion in revenue bonds for the construction of permanent supportive housing for people living with severe mental illness who are homeless or are at risk of becoming homeless.

**Vote YES**

## SPUR's Recommendation

SPUR believes that part of the effective long-term treatment of people with mental illness is keeping them stably housed. By creating more permanent supportive housing, Prop. 2 would directly help the people originally intended to be served by the Mental Health Services Act. It would also aid in current efforts to address the statewide homelessness crisis.

Read our complete analysis at spurvoterguide.org

## CA Prop 3
# Water Bond

BOND

## Authorizes Bonds to Fund Water Supply Projects

Authorizes the state to issue $8.9 billion in general obligation bonds for water supply, environmental and infrastructure investments.

**Vote YES**

## SPUR's Recommendation

Bonds are one of the main ways the state can invest in water infrastructure, and our recent drought has shown the need for significant investment. Although we just passed Prop. 68 earlier this year, these two measures are complementary and fund different aspects of the state's water needs. Prop. 3 would directly benefit the Bay Area through funding for water recycling, conservation and San Francisco Bay restoration — which is critically important to do now before sea levels rise or our next long-term drought settles in.

Read our complete analysis at spurvoterguide.org

CA Prop 6

# Gas Tax Repeal

CONSTITUTIONAL AMENDMENT

## Eliminates Road Repair and Transportation Funding

*Repeals Senate Bill 1, the state transportation funding bill (commonly referred to as the "gas tax"), and requires voter approval for any future imposition, extension or increase in gas and car taxes.*

**Vote NO** 

## SPUR's Recommendation

SPUR has long advocated for a stable source of funding for transportation improvements, and we support funding transportation with transportation-related user fees. SB 1 achieved both of these aims. It was the culmination of years of compromise and dialogue among hundreds of different interests; it's a solution at the scale of thinking that actually solves problems. The state's roads and transit systems need to be in good shape to support the world's fifth-largest economy, control greenhouse gas emissions and maintain quality of life. SB 1 is an overdue investment in transportation. If Prop. 6 passes, there would be no other source of revenue on the horizon. Much like the effect of 1978's Prop. 13, the detrimental impacts of Prop. 6 could last for decades.

Read our complete analysis at spurvoterguide.org

CA Prop 10

# Repeal of Rent Control Rules

INITIATIVE STATUTE

## Expands Local Authority to Enact Rent Control

Repeals the 1995 Costa-Hawkins Rental Housing Act, which placed restrictions on how rent control ordinances can be enacted at the local level.

**Vote NO**

## SPUR's Recommendation

California is experiencing an epic housing crisis, the likes of which the state has never seen. Particularly in coastal cities, we are seeing runaway rents and sale prices, more street homelessness and the displacement of low- and moderate-income people from their communities. Under these circumstances, measures that aim to stop the extraordinary run-up in rental housing prices are important ideas that deserve consideration. But unfortunately Prop. 10 has some very problematic unintended consequences that prevent SPUR from supporting it.

Rent control provides significant benefits to residents who live in rent-controlled units. In many cases, residents would not be able to remain in their home — or even in their city — if their rent went up to market-rate levels. In addition, by allowing households in rent-controlled units to remain in place, rent control provides greater community stability. However, rent control is an imperfect tool for stabilizing communities because it is not targeted to help low-income households or other disadvantaged populations; the people who benefit most are those who have been in their rental units the longest, not necessarily those who need the most help. Supporting means-based affordable housing programs would be more effective.

Beyond this concern, there are specific ways that Prop. 10 has the potential to exacerbate the very problem it seeks to solve:

### Rent control makes housing cost more. Regulating it mitigates the problem.

Prop. 10 has widespread appeal because of its promise to stabilize rents. But unfortunately, removing all regulations on rent control is more likely in the long run to make housing more expensive than it already is.

**This is because:**

**1.** With the exception of subsidized affordable housing, which relies on government funding and tax incentives, housing is developed in a market-economy environment. Housing production is highly dependent on capital financing because it costs so much to build, usually in the tens of millions of dollars for multi-unit projects. The institutions making decisions about whether or not to lend money to housing developers (banks, pension funds and other investors) consider whether they can reasonably expect to be paid back for their investment.

When housing units become rent-controlled, the amount of return that these investors can expect goes down because rents can't go up along with operating costs and other factors over time. Depending on the state of each cost variable (construction costs, permits, public benefit fees, etc.), a fixed rate of return may make housing development infeasible. In other words, it will cost more to build a unit than the builder and investor can receive in return. When that happens, less new rental housing gets built.

Further, if certain aspects of rent control laws are not regulated and can be changed at any time, this creates uncertainty for lenders. As a result, those lenders will be even less likely to lend money, and if they do, they will probably charge higher interest rates to mitigate their risk. This has two implications: It can stop housing from being produced, and it can make the resulting housing unit more expensive, because the increased financing cost makes it more expensive to build.

**2.** Landlords expect to make a return on their rental properties. When new laws cause units to become rent-controlled or limit the rent increase allowed on vacant units, landlords can either choose to take a lower rate of return or take their units off of the rental market by selling them as condos, allowing family members to move in or redeveloping the property. When rental units are taken out of the market, the remaining rental units become more expensive because there are fewer of them relative to all the people who want to rent them.

## Unregulated rent control can be used to stop rental housing production altogether.

Because rent control can have the effect of stopping the production of rental units, there is a real risk that some cities could implement it as a way to limit the amount of new housing that is developed. Some cities have seen a similar effect with inclusionary housing, the requirement that developers provide a certain percentage of affordable units within market-rate housing developments. In some cases, the percentage has been set so high that many proposed projects are no longer viable, effectively stopping production of market-rate housing. There is speculation that this is exactly the effect some supporters of the high percentages intended.

## The state plays an important role in facilitating housing production.

Many cities don't want to build housing because adding more residents leads to higher costs for providing services. One important revenue source for these services is property taxes, but Prop. 13, passed in 1978, caps property tax increases at 2 percent annually. Meanwhile, the cost to a city of providing services — police, fire, schools, libraries, streets, parks, social services, etc. — often increases at rates substantially above 2 percent per year. As a result, city officials, concerned that new residents can lead to budgetary strain, are sometimes disinclined to approve new housing. In addition, community pressure to keep cities looking and feeling the same as they do today leads some elected officials to oppose housing development that could result in changes to their communities.

Read our complete analysis at spurvoterguide.org

Because of this dynamic at the local level, it's important for the state to play a role in facilitating housing development. If cities don't build housing, California's affordability crisis will simply intensify. While imperfect, Costa-Hawkins sets reasonable safeguards to ensure that local rent control rules do not inhibit the creation of new housing.

We are already seeing evidence of how this could play out at the local level: The Berkeley City Council has placed a measure on the November ballot that — if passed along with Prop. 10 — would limit rent increases even when a unit turns over to a new tenant and would allow rent control to be imposed on buildings when they are 20 years old. This could inhibit new construction since it can take longer than 20 years for investors to see their expected returns. If cities all over the state make such decisions, there could be a significant slowing in new construction and even greater competition for the existing housing stock across California.

## Addressing housing affordability for everyone requires a different solution.

Today, 30 percent of California households are paying more than 30 percent of their incomes on housing. Rates of homelessness are increasing, and communities are experiencing intense displacement pressure. This is a crisis of immense proportion. We must act to make housing affordable, stabilize our communities and open our cities to residents of all backgrounds and economic means.

SPUR believes that the solution to housing affordability and community stabilization lies in both building massive amounts of new housing for people at all income levels and protecting tenants as we dig ourselves out of our housing shortage.

Unfortunately, the wholesale repeal of Costa-Hawkins would not improve our prospects. While there would undoubtedly be people who would benefit from an expansion of rent control, there would be many more who would be hurt by it. The biggest impact of this measure in the long run would be to exacerbate the housing shortage in California.

# Acknowledgments

**For San Francisco local propositions**, SPUR's Ballot Analysis Committee heard arguments from both sides of the issues, debated the measures' merits and provided recommendations to our San Francisco Board of Directors. The board then voted, with a 60 percent vote required for SPUR to make a recommendation.

**For San Jose local measures**, SPUR's San Jose Board of Directors reviewed and debated the merits of select local measures and voted, with a 60 percent vote required for SPUR to make a recommendation.

**For Oakland local measures**, SPUR's Oakland Board of Directors reviewed and debated the merits of select local measures and voted, with a 60 percent vote required for SPUR to make a recommendation.

**For California state propositions,** SPUR's regional decision-making body, the SPUR Executive Board, reviewed and debated the merits of select state measures and voted, with a 60 percent vote required for SPUR to make a recommendation.

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