



City of Huntington Beach

File #: 20-1923

MEETING DATE: 10/5/2020

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Oliver Chi, City Manager

PREPARED BY: Travis K. Hopkins, Assistant City Manager

Subject:

City Council Position on Two State Ballot Measures as Recommended by the City Council Intergovernmental Relations Committee (IRC)

Statement of Issue:

On September 16, 2020, the Intergovernmental Relations Committee (IRC), comprised of Mayor Lyn Semeta and Council Member Patrick Brenden, met to discuss the upcoming State ballot propositions and pending State and Federal legislation. The IRC is recommending that the City Council consider and adopt Resolution No. 2020-63 to oppose Proposition 15 and Resolution No. 2020-64 to support Proposition 22.

In order to adopt one or more of the proposed Resolutions, the City Council must vote to set aside Resolution No. 4344 which currently prevents the City Council from taking a stand on any statewide ballot proposition.

Financial Impact:

None

Recommended Action:

A) Approve to temporarily set aside Resolution No. 4344, Section 1.01.08 Statewide Ballot Propositions; and

B) Adopt Resolution No. 2020-63, "A Resolution of the City Council of the City of Huntington Beach Opposing Proposition 15;" and/or

C) Adopt Resolution No. 2020-64, "A Resolution of the City Council of the City of Huntington Beach in Support of Proposition 22."

Alternative Action(s):

Do not set aside Resolution No. 4344 and do not adopt the proposed Resolutions. Direct staff accordingly.

Analysis:

On September 16, 2020, the IRC met to review pending State and Federal legislation and the upcoming State ballot propositions. The following is an analysis of the ballots that the Committee chose to take positions on:

OPPOSE - Proposition 15 - Increases Funding Sources for Public Schools, Community Colleges, and Local Government Services by Changing Tax Assessment of Commercial and Industrial Property. (Initiative Constitutional Amendment)

Originally submitted as the California Schools and Local Communities Funding Act of 2018, the ballot measure would amend the 1978 initiative, Prop 13, by changing the tax assessment of certain commercial and industrial property and basing it on current market value instead of the purchase price.

Proposition 15 exempts residential properties, commercial agricultural properties, and commercial and industrial properties with a combined value of \$3 million or less, creating a “split roll” tax system. Additionally, the measure exempts small businesses from personal property tax and provides a \$500,000 exemption.

Under Prop 13, tax is limited to no more than 1 percent of the purchase price (at the time of purchase), with an annual adjustment equal to the rate of inflation or 2 percent, whichever is lower. According to the state Legislative Analyst's Office, market values in California tend to increase faster than 2 percent per year, meaning the taxable value of commercial and industrial properties is often lower than the market value. This initiative would alter the conditions for that reassessment to every three years for commercial property while keeping the residential and qualified small-business properties under the current system.

If approved, this change to the assessment of commercial property taxes would be phased in Fiscal Year 2022-2023 and is projected to result in an additional \$6.5 to 11.5 billion in annual revenues across the state, of which 40% would go to education and 60% would go to local agencies (cities, counties, and special districts).

SUPPORT - Proposition 22 - Exempts App-Based Transportation and Delivery Companies From Providing Employee Benefits to Certain Drivers. (Initiative Statute)

Proposition 22 would consider app-based drivers (i.e. Uber, DoorDash, Lyft) to be independent contractors and not employees or agents, unless a company sets drivers' hours, requires acceptance of specific ride or delivery requests, or restricts working for other companies. As a result, recent state changes enacted through AB 5 signed in September 2019, to decide a worker's status as an independent contractors would not affect these drivers; various state employment-related labor laws would not cover app-based drivers.

However, the measure would require app-based transportation and delivery companies to provide certain new benefits to these drivers including: pay drivers at least 120 percent of the minimum wage for each hour spent driving (not including wait time); provide a \$400 a month health stipend for drivers who work more than 25 hours per week and \$200 a month stipend for those that drive between 15 and 25 hours a week (also not including wait time); maintain insurance to cover drivers who are injured on the job; prohibit drivers from working more than 12 hours in a 24 hour period; and establish sexual

harassment prevention policies, criminal background checks, and safety training for all drivers.

This proposed initiative is the industry-sponsored response to the changes in state law related to independent contractors contained in AB 5 (Gonzalez), which was signed into law in 2019. The key backers of the initiative, Uber, Lyft, and DoorDash, are expected to contribute tens of millions of additional dollars to advance the effort. Given recent legislative activity in California and other states, as well as recent court decisions regarding independent contractors, it is believed that, if successful, this initiative could serve as a blueprint for further action at the federal level or in other states.

Environmental Status:

Not applicable.

Strategic Plan Goal:

Non-Applicable - Administrative Item

Attachment(s):

1. Proposition 15 Analysis
2. Proposition 22 Analysis
3. Resolution No. 2020-63, "A Resolution of the City Council of the City of Huntington Beach Opposing Proposition 15;" and,
4. Resolution No. 2020-64, "A Resolution of the City Council of the City of Huntington Beach in Support of Proposition 22."
5. Resolution 4344