City of Culver City

Staff Report Details (With Text)

File #:	27-96	**Version:**	1	**Name:**	
Type:	Minute Order			**Status:**	Action Item
				In control:	City Council Meeting Agenda
On agenda:	7/13/2026			**Final action:**	
Title:	CC - ACTION ITEM: (1) Review and Discuss the Proposed Increase of the Transient Occupancy Tax (TOT) Rate from 14 percent to 16 percent; (2) If Desired, Direction to the City Manager to Return With a Resolution and Proposed Ordinance for Approval by the Voters and (3) Direction to the City Manager as Deemed Appropriate.				
Indexes:					
Code sections:					
Attachments:					

Date	Ver.	Action By	Action	Result

CC - ACTION ITEM: (1) Review and Discuss the Proposed Increase of the Transient Occupancy Tax (TOT) Rate from 14 percent to 16 percent; (2) If Desired, Direction to the City Manager to Return With a Resolution and Proposed Ordinance for Approval by the Voters and (3) Direction to the City Manager as Deemed Appropriate.

Meeting Date: July 13, 2026

Contact Person/Dept.: Stephen Agostini, Assistant City Manager
Michael Towler, Interim Assistant Chief Financial Officer

Phone Number: (310) 253-5865

Fiscal Impact: Yes [X] No [] **General Fund:** Yes [X] No []

Attachments: Yes [] No [X]

Public Notification: (E-Mail) Meetings and Agendas - City Council (07/08/2026)

Department Approval: Lea Eriksen, Sr. City Manager (0708/2026)

RECOMMENDATION

Staff recommends that City Council (1) review and discuss the proposed increase of the Transient Occupancy Tax (TOT) rate from 14 percent to 16 percent Citywide; (2) if desired, direction to the City Manager to return with a resolution and proposed ordinance for approval by the voters; and (3) provide direction to the City Manager as deemed appropriate.

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BACKGROUND

The City's long-term strategic goals have consistently emphasized fiscal sustainability and the need to evaluate and strengthen existing revenue sources. This priority was reaffirmed in the Fiscal Year 2024-2029 Adopted Strategic Goals, which called for proactive measures to ensure the City's financial stability.

Culver City residents have historically supported revenue measures that fund essential municipal services, including public safety, mobility and community programs. While these measures generated important new revenue streams, structural fiscal challenges persisted. The Fiscal Year 2025-2026 Adopted Budget projected a $20.7 million deficit, with expenditure growth continuing to outpace revenue growth. Without corrective action, the structural deficit was expected to widen in future years.

The new City Manager, appointed in December 2025, committed to delivering a priority driven balanced budget for Fiscal Year 2026-2027. The executive management team implemented a coordinated strategy that included:

- Evaluating business processes to improve service efficiency
- Leveraging technology and strategic partnerships to reduce ongoing costs
- Identifying obsolete or low impact programs for suspension or elimination
- Establishing a Joint Powers Authority to fund critical capital projects
- Exploring new revenue generating programs

This multipronged approach resulted in a balanced FY 2026-2027 budget, with modest deficits projected in the outyears. Long term fiscal modeling indicates that additional revenue will be required to ensure a structurally balanced budget and meet ongoing community priorities.

Based on this analysis, staff has identified an increase to the Transient Occupancy Tax (TOT) rate - from 14 percent to 16 percent - as the most viable near term revenue measure, particularly in advance of the 2028 Olympics, which is expected to increase regional lodging demand.

Staff evaluated potential economic impacts, including visitor behavior, regional competitiveness, and hospitality sector performance. The recommended structure maintains alignment with regional market conditions and avoids rate levels that would materially affect visitor demand. The proposal is intentionally calibrated to preserve economic vitality while responsibly funding City services. The recommendation is structured to avoid the shortcomings observed in other jurisdictions' tax measures by providing clear justification, transparent fiscal analysis, and a direct connection between the proposed adjustment and essential City services. The proposed measure is designed to be straightforward, fiscally responsible, and publicly understandable.

DISCUSSION

The Transient Occupancy Tax (TOT) serves as a critical revenue source for the City's General Fund, allowing the City to capture revenue from visitors who utilize local infrastructure and public services. Governed under Chapter 11.02 of the Culver City Municipal Code, TOT applies strictly to short-term stays of 30 consecutive calendar days or less. This model ensures that individuals traveling for tourism, entertainment or business directly contribute to the local services they depend on during their stay.

The current TOT rate is 14%. The most recent prior increase to the TOT rate occurred in April 2012, when voters approved to increase the rate from 12 percent to 14 percent with a ballot measure that passed with 83.3% "Yes" and 16.7% "No."

The TOT does not place any direct tax burden on permanent City residents. Under the City's Municipal Code, any establishment offering temporary lodging - including hotels, motels, or similar operations must act as a collection agent and add the 14 percent tax to the guest's baseline bill at the time of payment. The operators are required to file statements and remit the accumulated funds to the City monthly.

Unlike dedicated or special taxes restricted to unique projects, the TOT is a general tax, and the revenue it generates may be used for any public purpose. Tourism increases wear-and-tear on city streets, parks, and utility systems. A high volume of visitors expands the daily population footprint, driving up demand for police, fire, and emergency medical services. TOT serves as a mechanism to recover those costs from non-residents and expands the City's capacity to meet these safety requirements without depleting resident tax dollars.

The traditional TOT framework has evolved in recent years to account for the growth of internet based home sharing platforms. In response to this changing operating environment, the City executed a Voluntary Collection Agreement with one of the major home sharing platforms to streamline compliance with the Culver City Municipal Code. Under this agreement, the platform reports, collects, and remits all applicable Transient Occupancy Tax on behalf of hosts for booking transactions involving accommodations located within Culver City.

Culver City currently hosts 19 hotel and motel facilities operating citywide. Two properties participate in the City's motel master lease program, which provides short-term interim housing and therefore does not generate Transient Occupancy Tax. The remaining 17 facilities operate as traditional lodging establishments and collect and remit TOT in accordance with City requirements. Transient Occupancy Tax revenues have remained a consistently reliable funding source, generating approximately $12-$13 million annually over the past four fiscal years. Staff attributes this stability to the City's strong market position as a technology and entertainment hub, which supports year round lodging demand.

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Regional Comparison

As part of the City's ongoing commitment to fiscal sustainability and regional competitiveness, staff conducted a review of Transient Occupancy Tax (TOT) rates among neighboring jurisdictions. This analysis provides context for Culver City's current 14 percent TOT rate and evaluates alignment with

peer cities in the Westside and greater Los Angeles region. The survey of nearby municipalities indicates that Culver City's TOT rate remains consistent with regional norms and is generally aligned with cities of similar size, visitor profile, and economic composition. See below for TOT rates of several cities:

- Anaheim - 15%
    - Additional Assessment: Tourism Improvement District 2.0%
- Beverly Hills - 14.0%
- Culver City - 14.0%
- Garden Grove - 14.5%
- Hermosa Beach - 14.0%
- Inglewood - 15.5%
- Los Angeles - 14.0%
    - Additional Assessment: Tourism Marketing District 2.0%
- Malibu - 15.0%
- Manhattan Beach - 14.0%
- Santa Monica - 15.0%
    - Additional Assessment: Short-term rentals/home sharing 2.0%; Tourism Marketing District $2.30-$7.25/room night (approx. 1-3% effective rate)
- West Hollywood - 12.5%
    - Additional Assessment: Tourism Improvement District 3.0%

Based on the analysis, staff recommends that Council place a measure on the November 2026 ballot. The proposed increase from 14 percent to 16 percent would maintain Culver City's competitive position within the regional market while supporting core municipal services funded by visitor generated revenues.

Maintaining alignment with neighboring jurisdictions helps ensure:

- Stable revenue performance without creating a competitive disadvantage for local lodging operators.

- Equitable revenue capture from visitors who utilize public safety, mobility, and infrastructure services

- Consistency with regional policy trends among cities with comparable tourism and economic characteristics

Survey

To evaluate community perspectives on a potential ballot measure to increase the City's Transient Occupancy Tax and enhance funding for vital municipal services, the City retained Fairbank, Maslin, Maullin, Metz & Associates (FM3) to conduct public opinion research. FM3 has long served as a strategic research partner to the City on multiple local finance initiatives. The firm implemented a dual mode survey approach, engaging voters through text messaging and telephone outreach, with interviews completed online and by live interviewers using both landline and wireless phones. The survey reached a representative sample of approximately 400 registered Culver City voters, yielding a margin of error of ±4.9 percent at the 95 percent confidence level.

Below is a summary of the proposed ballot language that was presented:

"CULVER CITY COMMUNITY SAFETY AND PUBLIC SERVICES MEASURE: Shall an ordinance to maintain Culver City 9-1-1 emergency response/ firefighter/ paramedic/ police staffing; affordable housing/ mental health/ homeless reduction programs; improve streets, roads, sidewalks, public transportation, storm drains, infrastructure, parks and provide other general fund services by raising Culver City's transient occupancy tax paid by hotel/ motel guests from 14% to 16%, generating $2,000,000 annually until ended by voters, requiring annual audits, public spending disclosures, with all funds used locally, be adopted?"

Staff and FM3 will present the results of the survey at the July 13, 2026 meeting.

Additional Clarifications to the TOT Ordinance

In addition to the proposed rate change, staff recommends minor revisions to clarify outdated ordinance language in Chapter 11.02. Several provisions have not been updated since 2014 and no longer reflect current administrative practices. These adjustments are administrative in nature and would be incorporated into the ordinance update if voters approve the proposed ballot measure. Based on comments, feedback and discussion at this meeting , staff will return to Council on July 27, 2026 with specific language, rate proposals and enabling ordinances and resolutions.

FISCAL ANALYSIS

Staff evaluated potential economic impacts, including visitor behavior, regional competitiveness, and hospitality sector performance. The recommended structure maintains alignment with regional market conditions and avoids rate levels that would materially affect visitor demand. The proposal is intentionally calibrated to preserve economic vitality while responsibly funding City services.

Culver City's existing TOT rate remains appropriately calibrated relative to neighboring jurisdictions. Increasing the rate to 16 percent would strengthen long term fiscal sustainability while maintaining regional competitiveness. Should voters approve the proposed measure, preliminary estimates indicate that increasing the tax rate from 14 percent to 16 percent could generate approximately $2 million annually, depending on hotel occupancy trends and average daily room rates. Staff believes that the premium hotels, high average daily rates, and corporate studio / travel suggests that the market can absorb a 2% increase. Additionally, even at 16%, Culver City would remain within the range of tourism-heavy cities.

Based on comments, feedback and discussion at this meeting, staff will return to Council on July 27, 2026 with specific rate proposals and enabling ordinances and resolutions.

All revenues generated will be deposited into the General Fund and used exclusively to support core municipal services, including public safety, infrastructure maintenance, and community serving programs. Staff will provide annual reporting to ensure transparency, accountability, and public trust.

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ATTACHMENTS

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None

MOTIONS

That the City Council:

1. Review and discuss the proposed increase of the Transient Occupancy Tax (TOT) rate from 14 percent to 16 percent Citywide; and

2. If desired, direction to the City Manager to return with a resolution and proposed ordinance for approval by the voters; and

3. Provide direction to the City Manager as deemed appropriate.