



City of Culver City

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Staff Report

File #: 21-125, **Version:** 1

Item #: A-1.

Discussion of Potential Measure on the November 3, 2020 General Municipal Election Ballot to Submit to the Voters an Amendment to Culver City Municipal Code Section 3.08.400 to Increase the Real Property Transfer Tax.

Meeting Date: July 29, 2020

Contact Person/Dept: Jesse Mays, Assistant City Manager

Phone Number: (310) 253-6000

Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☒ No ☐

Public Hearing: ☒ **Action Item:** ☒ **Attachments:** ☒

Commission Action Required: Yes ☐ No ☒ **Date:**

Public Notification: (E-Mail) Meetings and Agendas - Finance Advisory Committee (07/24/2020)

Department Approval: Onyx Jones, Chief Financial Officer (07/24/2020)

RECOMMENDATION

Staff recommends the Finance Advisory Committee discuss the potential Measure on the November 3, 2020 General Municipal Election Ballot to submit to the voters an amendment to Culver City Municipal Code Section 3.08.400 to increase the real property transfer tax.

BACKGROUND/DISCUSSION

At the July 27th City Council Meeting, Council discussed the potential Measure on the November 3, 2020 General Municipal Election Ballot to submit to the voters an amendment to Culver City Municipal Code Section 3.08.400 to increase the real property transfer tax. Charter cities, such as Culver City, may enact a real property transfer tax, which is imposed during the sale of real property, based on the value of the property. Courts have determined that such a tax, enacted by a charter city, does not violate either the California Constitution Article XIII A or Government Code §53725, which prohibits a transaction tax on the sale of real property, but applies to only general law cities.

Any sale of real estate in Culver City over \$100 is currently subject to the City's Real Property Transfer Tax ("transfer tax") of \$2.25 per \$500 (0.45%) (see Attachment 1, Culver City Municipal

Code Section 3.08.400 - 3.08.470). The seller and buyer are jointly liable for the payment of the tax. Historically, sellers have paid transfer taxes in California, although in recent years it has become something that is negotiated between buyer and seller, during the course of a real estate sales transaction.

In Fiscal Year 2018/2019, the transfer tax generated revenue of \$3,634,569. In Fiscal Year 2019/2020 the unaudited transfer tax revenue is \$3,962,081. The proposed Fiscal Year 2020/2021 budget anticipates the transfer tax will generate \$3,210,000. Based on information provided by the Ad Hoc Transfer Tax Ballot Measure Subcommittee and the FAC recommendations, Staff will return to City Council with a draft proposed ordinance and ballot measure language on Monday, August 3, 2020 to meet the August 7th deadline to place measures on the November 3, 2020 ballot.

The Finance Advisory Committee requested a Special Meeting to discuss the potential measure in effort to provide a recommendation to the City Council at its August 3rd Meeting.

FISCAL ANALYSIS

There is no fiscal impact created by discussing this item.

ATTACHMENTS

1. 2020-07-29_ATT_07282020 City Council Staff Report
2. 2020-07-29_ATT_CCMC Sections
3. 2020-07-29_ATT_Transfer Taxes in Other California Jurisdictions
4. 2020-07-29_ATT_UCLA Luskin School White Paper
5. 2020-07-29_ATT_Example Tiered Rate Structure
6. 2020-07-29_ATT_Preliminary Annual Revenue Projections HdL
7. 2020-07-29_ATT_Preliminary Annual Revenue Projections Luskin

MOTION

That the Finance Advisory Committee:

1. Hold discussion regarding the potential Measure on the November 3, 2020 General Municipal Election Ballot to submit to the voters an amendment to Culver City Municipal Code Section 3.08.400 to increase the real property transfer tax; and
2. (If Desired) Transmit Recommendation to the City Council.