



City of Culver City

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Council Chambers
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Staff Report

File #: 21-126, Version: 1

Item #: 2.

CC - (1) Adoption of a Resolution to Place on the November 3, 2020 General Election Ballot One Ballot Measure Amending Culver City Municipal Code Section 3.08.400 to Increase the Real Property Transfer Tax on Real Property Transfers or Sales of \$1,500,000 or Greater, Authorizing the City Council and/or Certain Council Members to Submit Primary Ballot Arguments Regarding the Ballot Measure, and Approving Rebuttal Arguments; (2) Potential Creation and Appointment of City Council Members to an Ad-Hoc Subcommittee to Draft and/or Submit Such Ballot Argument(s); (3) Instruction to the City Clerk to Post a Notice Setting the Date After Which No Arguments May be Submitted; and (4) Instruction to the City Attorney to Prepare the Impartial Analysis for the Ballot Measure.

Meeting Date: August 3, 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: Yes No

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

Commission Name:

Public Notification: (E-Mail) Meetings and Agendas - City Council, Culver City News and Events, Chamber of Commerce, Fiscal and Budget Issues, Public Notifications, Finance Authority, Ballot Measure Updates, Press Organizations, Media Organizations (07/31/2020)

Department Approval: Serena Wright-Black, Acting City Manager (07/30/2020)

RECOMMENDATION:

Staff recommends the City Council: (1) Adopt a Resolution (Attachment 1) to place on the November 3, 2020 General Election ballot one ballot measure amending Culver City Municipal Code ("CCMC") Section 3.08.400 to increase the Real Property Transfer Tax on real property transfers or sales of \$1,500,000 or greater, authorizing the City Council and/or certain Council Members to submit primary ballot arguments regarding the ballot measure, and approving rebuttal arguments; (2) consider creation and appointment of City Council Members to an ad-hoc subcommittee to draft and/or submit such ballot argument(s); (3) instruct the City Clerk to post a notice setting the date after which no

arguments may be submitted; and (4) instruct the City Attorney to prepare the impartial analysis for the ballot measure.

BACKGROUND:

At the July 27, 2020 Special City Council meeting, the City Council voted to place on the November 3, 2020 General Election ballot one measure amending CCMC Section 3.08.400 of Chapter 3.08 to increase the real property transfer tax. City Council also voted to form an Ad Hoc Subcommittee (“Subcommittee”) to work with staff to draft the required proposed ordinance and ballot question language. The Subcommittee met with staff on July 28, 2020 to further develop the policy recommendations for the proposed ballot measure that were discussed by the City Council on July 27th. Staff presented the Subcommittee’s policy recommendations to the City’s Finance Advisory Committee (FAC) at a special meeting on July 29, 2020. The FAC’s recommendations are described, below. The Subcommittee’s final recommendations have been incorporated into the proposed ordinance and ballot question language included with the proposed Resolution.

DISCUSSION:

A summary of the Subcommittee’s proposed ballot measure to be presented to voters on November 3rd is as follows:

- *Tax Structure:* Progressive tiers
- *Types of Rates:* Marginal
- *Tax liability:* Joint and Several
- *Number of Tiers:* 4

- *Property Sale or Transfer Price Range, and Tax Rate of Tiers:*
 - Under \$1.5 million: 0.45% (existing rate)
 - \$1.5 million to \$2,999,999: 1.5%
 - \$3 million to \$9,999,999: 3.0%
 - \$10 million and up: 4.0%

- *Tier Modification Over Time:* Tier thresholds are adjusted up or down by the change in the Consumer Price Index once every 5 years.

- *Exemption to Rate Increase:*
 - First transfer of real property containing four or more residential dwelling units,

where at least one such dwelling unit was newly constructed within the last 5 years prior to the transfer and resulted in a net increase in the total number of residential dwelling units on the property.

- 100% deed restricted affordable residential properties.

- *Ballot Measure Question Wording:*

Real Property Transfer Tax for Essential Services

Shall the measure to maintain essential services, including deferred parks/facilities/street maintenance, addressing homelessness, after-school/senior services, and economic recovery, by increasing the one-time 0.45% tax on real property sales, adding 1.5% on amounts from \$1,500,000 to \$2,999,999, 3% on amounts from \$3,000,000 to \$9,999,999, and 4% on amounts \$10,000,000 and above, except for sales under \$1,500,000, affordable housing, and first transfer of new multi-family properties, and providing \$6,000,000 annually until repealed, be adopted?

Finance Advisory Committee Recommendations, Comments, and Questions

The Subcommittee's recommendations (Attachment 2) were presented to the Finance Advisory Committee (FAC) on July 29, 2020. The recommendations contained two options (Option 1 and Option 2) for number of tiers, tier range, and tax rates for each tier. After discussion, the FAC voted 7-2 to make the following three recommendations to City Council:

- **FAC Recommendation 1: Select Subcommittee Option #2**

Subcommittee response: Agree. Option #2 of the two options presented to the FAC is the option incorporated into the attached resolution and proposed ordinance for City Council's consideration.

- **FAC Recommendation 2: Adjustment of the tax tiers every 5 years should be mandatory (not optional) and move up or down based on CPI.**

Subcommittee response: Agree. This recommendation has been incorporated into the attached proposed ordinance for City Council's consideration.

- **FAC Recommendation 3: Exemption for the first transfer of newly constructed multifamily should not exclude conversions from other residential uses when there is net new housing created.**

Subcommittee response: Agree. This recommendation has been incorporated in to the attached proposed ordinance for City Council's consideration.

The FAC also wished to convey to the City Council its concern about timing of how the ballot measure was brought forward. In the future they would like more time to weigh-in. The FAC also wished to convey the opinion of the two members who voted no. Both members did not feel that a tax increase was appropriate at this time.

Finally, the FAC wanted the City Council to have the answer to the question of whether different real

property transfer tax rates could be assessed on residential versus commercial properties. After researching this, staff determined that theoretically this could be done, but we have not identified any other jurisdictions that have done this or research into the impact of such a policy. From a practical standpoint, it is unknown how this would be administered.

Naming of Measure

California Elections Code Section 13116 states that “(a) In an election at which state, county, city, or other local measures are submitted to a vote of the voters, all state measures shall be numbered in numerical order, as provided in this chapter or division. All county, city, or other local measures shall be designated by a letter, instead of a figure, printed on the left margin of the square containing the description of the measure, commencing with the letter “A” and continuing in alphabetical order, one letter for each of these measures appearing on the ballot.”

Unless otherwise directed by the City Council, the City Clerk intends to request the County assign the next alphabetically sequential letter that has not yet been assigned.

Authorizing the City Council and/or Certain Council Members to Submit Arguments

Only one ballot argument for and one ballot argument against the measure and rebuttals to each may be printed in the Voter Information Guide (formerly known as the Sample Ballot.).

In the event more than one argument for or against the measure is submitted to the City Clerk within the time prescribed, Elections Code Section 9287 states that the Elections Official must give preference and priority, in the order named, to the arguments as follows:

- The legislative body, or member(s) of the legislative body authorized by that body;
- The individual voter, or bona fide association of citizens, or combination of voters and associations, who are the bona fide sponsors or proponents of the measures;
- Bona fide associations of citizens; and
- Individual voters who are eligible to vote on the measures.

All submitted arguments shall be provided to the City Clerk and shall be time stamped. Should more than one argument be submitted by the same preferential category, the argument received first shall be the one selected for printing and distribution to the voters.

Should the City Council decide to submit an argument as a body, it is automatically placed in the Voter Information Guide. If the City Council decides to have some of its members submit an argument, those members need to be designated by the City Council in order for their argument(s) to receive priority.

The City Council should decide whether it will submit initial and rebuttal arguments for or against the measure as a body or designate individual Council Members to submit those arguments. If individual members are to be designated, then the City Council should make those designations at this meeting. Please note, that if more than two City Council Members will be working together to write, or intend to give comments on the same argument, then, pursuant to the Brown Act, the discussions and comments among those Council Members may only occur during a duly noticed public meeting of the City Council.

Based on the calendar for the November 3, 2020 election, primary arguments are due to the City Clerk's Office **no later than the close of business (5:30 PM) on Thursday, August 13, 2020** and shall not exceed 300 words in length. Should the City Council determine it would like to review and approve the primary arguments written by the subcommittee, staff recommends such review and approval be agendized for the August 10, 2020 City Council Meeting, in order to finalize, sign, and submit the official City Council argument prior to the August 13, 2020 deadline.

Rebuttal arguments are due 10 days after the primary arguments are due and shall not exceed 250 words. The deadline for submission of rebuttal arguments to the City Clerk's Office would be **no later than close of business (5:30 PM) on August 24, 2020**. If a rebuttal argument is necessary, and the City Council wishes to review and approve a rebuttal argument written by the subcommittee(s), then such review and approval would need to be conducted by the City Council prior to the deadline for rebuttals, which would require a special City Council Meeting.

City Attorney Impartial Analysis

Section 9280 of the Elections Code requires the City Attorney to prepare an impartial analysis of the Ballot Measure, showing the effect of the measure on the existing law and the operation of the measure. The impartial analysis must be submitted to the City Clerk on or before to the City Clerk's Office no later than the close of business (5:30 PM) on Friday, August 14, 2020.

FISCAL ANALYSIS:

The Los Angeles County Election Estimating Calculator has not yet been provided for the November 3, 2020 election. Based on the Primary Election Estimating Calculator, the ballot measure is estimated to increase LA County Services elections costs by approximately \$13,200 for printing and including the measure information on the ballot. A public education program to inform the public about the ballot measure, if desired, is estimated to cost approximately \$30,000. The budget for these expenditures will be transferred from the General Fund's Appropriated Reserve Account to the Non-Departmental Acct #10116100.619800. If the ballot measure is approved by the voters in November 2020, the City could receive up to \$6M in additional property tax transfer revenue.

ATTACHMENTS:

1. 2020-08033_ATT_Proposed Resolution to increase the Real Property Transfer Tax
2. Subcommittee Recommendations Presented to Finance Advisory Committee on July 29, 2020

MOTIONS:

That the City Council:

1. Adopt the Resolution to Place on the November 3, 2020 General Election Ballot One Ballot Measure Amending Culver City Municipal Code Section 3.08 to Increase the Real Estate Transfer Tax on Real Property Transfers or Sales of \$1,500,000 or Greater, Authorizing the City Council and/or Certain Council Members to Submit Primary Arguments Regarding the proposed Ballot Measure, and Authorizing the City Council and/or Certain Council Members to Submit Rebuttal Arguments Regarding the proposed Ballot Measure;

AND

- 2.B. Discuss the formation of Ad Hoc Subcommittee(s) and appoint the following Council Members thereto for the purpose of drafting of the Primary Ballot Argument(s):
_____;

AND

- 2.C. If an Ad Hoc Subcommittee(s) is created, authorize the Subcommittee(s) to submit the Primary Ballot Argument(s) by the filing deadline of 5:30 PM on August 14, 2020;

OR

- 3.D. Direct the Ad Hoc Subcommittee(s) to complete its work in time to present the Primary Ballot Argument(s) to the City Council for review and approve at the City Council meeting of August 10, 2020; and

AND

- 4.B. If an Ad Hoc Subcommittee(s) is created for the Primary Argument(s), authorize such Subcommittee(s) to also submit the Rebuttal Argument(s) by the filing deadline of 5:30 PM on August 24, 2020;

OR

- 4.C. Direct the Ad Hoc Subcommittee(s) to complete its work in time to present the Rebuttal Argument(s) to the City Council for review and approval prior to filing deadline of 5:30 PM on August 24, 2020 (which would require a Special City Council Meeting be scheduled prior to the filing deadline);

5. Direct the City Clerk to post a Notice Setting the Date after which no Arguments May be Submitted; and

6. Direct the City Attorney to Prepare the Impartial Analysis for the Ballot Measure.