



# City of Culver City

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## Staff Report

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**File #:** 21-734, **Version:** 1

**Item #:** C-6.

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**CC - (1) Approval of a Memorandum of Understanding with the County of Los Angeles Registrar-Recorder/County Clerk for Real Property Transfer Tax Collection; and (2) Adoption of a Resolution Establishing Rules and Procedures Necessary for the Implementation of the Real Property Transfer Tax in Accordance with Culver City Municipal Code Section 3.08.400.D.**

**Meeting Date:** March 22, 2021

**Contact Person/Dept:** Jesse Mays, Assistant City Manager  
Onyx Jones, Chief Financial Officer

**Phone Number:** City Manager's Office (310) 253-6000  
Finance Department (310) 253-5865

**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 - City Council (03/18/2021);

**Department Approval:** John Nachbar, City Manager, (03/17/2021)

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### **RECOMMENDATION**

Staff recommends the City Council (1) approve a Memorandum of Understanding with the County of Los Angeles Registrar-Recorder/County Clerk for the collection of the Culver City real property transfer tax; and (2) adopt a resolution establishing rules and procedures necessary for the implementation of the Real Property Transfer Tax in accordance with Culver City Municipal Code Section 3.08.400.D.

### **BACKGROUND/DISCUSSION**

Ballot Measure RE was approved by the City of Culver City electorate at the November 3, 2020 General Municipal Election. Measure RE changed the City's real property transfer tax from the previous 0.45% flat rate to a marginal tax rate with four brackets, based on sales price or value, effective April 1, 2021.

### *Memorandum of Understanding with Los Angeles County*

The Los Angeles County Registrar-Recorder/County Clerk currently collects the Real Property Transfer Tax (RPTT) on behalf of the City at the time the property sale is recorded. The County then remits the tax to the City monthly. The County has collected the RPTT for the City since 1978, and the existing agreement with the County was last amended in 1991. The County and City staff have updated the existing agreement so that it reflects Culver City's new tiered tax rate structure. The per transaction fee of \$3.85 will remain the same. The County Board of Supervisors is scheduled to vote on approval of the agreement on March 30, 2021. If approved, the MOU would be in place for ten (10) years, with the option for two (2) two-year extensions and one (1) one-year extension, for a maximum total term of 15 years.

### *Resolution Establishing Rules and Procedures*

Culver City Municipal Code Section 3.08.400.D, as approved by the electorate in Measure RE, authorizes the City Council to establish such Rules and Procedures that are necessary and desirable for implementation of the Real Property Transfer Tax. The proposed Resolution and the attached Rules and Procedures will help ensure the public knows the correct amount of tax to remit, and help the City audit the taxes paid, and collect any unpaid tax. Specifically, the Rules and Procedures clarify that the consideration or value of property sold may be rounded down to the nearest dollar for the purposes of calculating tax owed. The Rules & Procedures clarify the exact calculation methodology for the tax due for each sale value. Further, the Rules and Procedures explains how to establish eligibility for reduced tax payment or exemption from the tax. The Rules and Procedures establish that the City's Chief Financial Officer (CFO) or their designee can audit the amount of tax paid, and that the CFO or City Attorney or their designee can use a collection agency, file suit, and then file an abstract of judgment in order to lien property to collect unpaid tax. Finally, the Resolution establishes that the City Manager or their designee can establish additional guidelines, procedures, and rules consistent with Section 3.08.400.

### *Update on Real Property Transfer Tax Communications*

The City has posted comprehensive information about the tax, and a tax calculator, to the City's Real Property Transfer Tax webpage (<<http://www.culvercity.org/rptt>>). In February, City staff participated in a periodic call that the LA County Registrar-Recorder/County Clerk holds with escrow companies, to answer questions about the City's new tax rates. Also in February, the County distributed the City's new tax rates to escrow companies through the County's email list, which includes several hundred entities. Staff coordinated with the County to ensure a reminder email was sent on March 16 to the County's email list. The County has also posted the City's new rates and a link to the City's RPTT webpage in its countywide documentary transfer tax information bulletin and on its webpage. In March, City staff distributed an email announcement on the change to organizations representing the real estate, realtor, and broker communities, including the Greater Los Angeles Realtors Association, the Apartment Association of Greater Los Angeles, the California Apartment Association, and the Building Industry Association, and the Los Angeles County Business Federation (BizFed). The emails were designed to be forwarded to the organizations' members and included a graphic that members and the organization could post to social media. Staff also sent a GovDelivery to over 12,000

targeted email addresses and will implement coordinated social media posts throughout March and April.

### **FISCAL ANALYSIS**

According to the proposed MOU, the County will continue to charge the City an administrative fee of \$3.85 per recorded transaction, which is the same administrative fee that has been in place since the 1991 agreement. As in the existing agreement, the administrative fee may be adjusted annually, effective July 1, to ensure full recovery of the County's cost to administer the tax. The administrative fee will be subtracted from the City's monthly distribution. The amount deducted for administrative costs shall not exceed 10 percent of the taxes paid pursuant to this section. The latest three-year average number of transactions (2016 - 2019) is 467, so the City can expect the County's total annual fee to be approximately \$1,800 on an estimated annual tax collected of \$9 million.

### **ATTACHMENTS**

1. 2021-03-22 - ATT Proposed Resolution for RPTT Rules and Procedures

### **MOTION**

That the City Council:

1. Approve a Memorandum of Understanding with the County of Los Angeles Registrar-Recorder/County Clerk for the collection of the Culver City Real Property Transfer Tax; and,
2. Authorize the City Attorney to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute such documents on behalf of the City; and,
4. Adopt a Resolution establishing rules and procedures necessary for the implementation of the Real Property Transfer Tax.