

NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
SoCAL CHAPTER

August 3, 2020

Mayor Goran Eriksson and City Council Members
City of Culver City
9770 Culver Boulevard
Culver City, CA 90232

Sent via Email

Re: Public Hearing Agenda Item #2 – File # 21-126 – Transfer Tax Ballot Measure - Oppose

NAIOP, the Commercial Real Estate Development Association, is the leading national organization of developers, owners, and related professionals in office, industrial and mixed-use real estate. The NAIOP SoCal Chapter serves Los Angeles and Orange Counties, and is the second largest chapter in the United States with a membership of over 1,000 members. We thank you for this opportunity to comment on the Transfer Tax proposal, and respectfully request the City Council not place this on the November ballot.

California is in the midst of an unprecedented economic crisis that has no end in sight. No one can predict what the economy will look like even when any recovery may occur. Important public health measures and mandated closures have been especially devastating to commercial real estate tenants, borrowers and lenders and much of our industry is under severe financial distress.

Like millions of California businesses, as our members attempt to navigate the fall-out from this crisis, commercial properties need relief, not a tax increase. Make no mistake about it, the Transfer Tax proposal before you is a significant tax increase on businesses, especially small businesses, at what has to be absolutely the wrong time to pile on to the battered economy any tax increase.

Even more concerning is the incredible lack of time anyone has had to fully discuss this matter and do any real analysis of all its implications and unintended consequences. This was first discussed just last Monday, July 27, and here we are just 7 days later, August 3. Even your staff and your Finance Advisory Committee (FAC) have made clear there are numerous unresolved issues.

The staff report specifically states on pages 3;

The FAC also wished to convey to the City Council its concern about the timing of how the ballot measure was brought forward. In the future they would like more time to weigh-in." (emphasis added)

The public, the actual stakeholders involved, also must be given time to weigh-in, and we have not had any time to give input to date.

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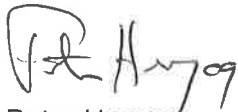
On page 3-4 the staff report also points out the FAC had a question about the legality of placing a different transfer tax on commercial versus residential property. The best the staff could say is this "theoretically" could be done, which is hardly a definitive answer to a key question. BUT, staff does specifically say "From a practical standpoint, **it is unknown how this would be administered.**) (emphasis added)

In the July 27 staff report on page 5 your staff pointed out the County of Los Angeles collects transfer taxes. Yet, "**the Los Angeles County recorder may not have the technical capability to collect more than one tax rate.**" This could very well be true since no other city in Los Angeles County or the County itself has a tiered system, only a flat tax. As staff notes, this would mean "**The city itself would have to collect the remaining tax on its own**". Currently the city does not have this capability and this is "**...an unknown cost.**" (emphasis added)

And there are other issues as well. One thing that is currently clear is that there are far more questions than answers about the idea of changing the transfer tax. Much is still unknown. Also, the public has not been given the opportunity to be part of this discussion which is an essential part of the process for creating solid public policy.

In light of all the issues surrounding this transfer tax concept, NAIOP SoCal respectfully submits that the transfer tax concept is in no way ready to be put on the ballot. Much more work is needed before any decision is made on whether to submit this to the voters. Therefore, we request the City Council vote NO on placing this on the November ballot.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Herzog". The signature is written in a cursive style with a large initial "P".

Peter Herzog
Assistant Director of Legislative Affairs