



# Council Agenda Report

To: Mayor Grisanti and the Honorable Members of the City Council

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Reviewed by: Ruth F. Quinto, CPA, Interim Assistant City Manager/City Treasurer

Approved by: Steve McClary, Interim City Manager

Date prepared: May 4, 2022 Meeting date: May 23, 2022

Subject: Potential Tax Measures and Other Potential Measures

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**RECOMMENDED ACTION:** 1) Receive report on potential tax measures requested by the City Council; 2) Direct staff to bring back resolutions to submit the question to the voters, setting priorities for arguments and rebuttals; and 3) Direct the City Attorney to prepare an impartial analysis.

**FISCAL IMPACT:** No additional appropriation is required. Depending on what, if any, potential tax measures the Council directs staff to pursue, additional staff time and outside consultant services may be necessary that were not included as part of the Adopted Budget for Fiscal Year 2021-2022. At this time, the exact costs associated with adding a ballot measure to the November 8, 2022 General Election ballot are unknown. If Council directs staff to bring back resolutions to submit the question to voters, staff will provide an estimate of this cost and include it in the proposed budget for Fiscal Year 2022-2023.

**WORK PLAN:** This item was included as Item No. 6.c. in the Adopted Work Plan for Fiscal Year 2021-2022.

**DISCUSSION:** On November 8, 2021, Council considered recommendations from the Administration and Finance Subcommittee regarding potential revenue-generating measures and directed staff to explore tax measures for District Sales Tax, Documentary Transfer Tax, and Parking Occupancy Tax related to valet parking.

On April 25, 2022, staff provided the Council with information on the three potential tax measures it had identified. Council discussed the information presented and directed staff to bring back more information regarding the following measures:

- 1) a Transient Occupancy Tax Measure
- 2) a 0.5% Transaction and Use Tax Measure
- 3) the process to become a Charter City so that the City can implement a Documentary Transfer Tax

### *Background*

In Fiscal Year 2020-2021, in recognition of the continuing economic impacts of the COVID-19 pandemic and the Council's priority to help homeowners rebuild after the Woolsey Fire, the Council established a General Fund Designated Reserve for Fiscal Year 2021-2022 Operating Expenditures in the amount of \$6.5 million. On June 28, 2021, Council adopted the Annual Budget for Fiscal Year 2021-2022 which included the use of \$3.8 million from the \$6.5 million General Fund Designated Reserve for Fiscal Year 2021-2022 operating expenditures. At the time of budget adoption, the projected Fiscal Year 2021-2022 General Fund revenues were estimated to be less than General Fund expenditures and the Council was concerned that the projected revenue shortfall might continue into future fiscal years.

Since June 2021, many City revenue sources have recovered more quickly than anticipated, while other sources were not significantly impacted. On January 24, 2022, the Council adopted Resolution No. 22-07 amending the Adopted Budget for Fiscal Year 2021-2022. The Mid-Year Budget Amendment included an \$5.66 million increase in General Fund Revenue. With this significant increase in General Fund Revenue, the draw down from the Designated Reserve initially reflected in the Adopted Budget for Fiscal Year 2021-2022 was no longer required and was eliminated.

While the City's budget is currently balanced and the reserves are strong, the City is anticipating having to face significant revenue impacts and potential increases in expenditures in the near-term. There will likely be revenue and expenditure impacts associated with the proposed implementation of additional short-term rental regulations, the opening/staffing of the Malibu Sheriff's Substation (yet to be discussed and determined) and economic factors that indicate a significant potential downturn in the economy. These anticipated changes to the City's revenues and expenditures could be mitigated by the revenue generating measures Council is considering.

### *Transient Occupancy Tax*

The City is authorized to levy a transient occupancy tax (TOT) upon the privilege of occupancy in any hotel, motel or other lodging. The operator is responsible for collecting the taxes owed and remitting them to the City.

On January 1, 2021, the City's TOT rate was increased to 15%. As part of the November 3, 2020 General Municipal Election, Malibu voters approved Measure T increasing the City's TOT rate from 12% to 15%. The City receives TOT from six (6) hotel/motel properties, one RV park and the short-term rental of numerous residential properties. The City currently has issued approximately 205 active short-term rental permits.

In Fiscal Year 2020-2021, the City received \$2.6 million in TOT from hotels and motels and \$5.4 million in TOT from private rentals. This was due to an increase from the very low levels during the pandemic as well the 3% increase in the City's TOT rate. In Fiscal Year 2021-2022, the City is projected to receive approximately \$2.8 million for hotels and motels and \$5 million from private rentals. Future TOT revenues from private rentals may be significantly impacted by the anticipated Hosted Short-Term Rental Ordinance. Preliminary loss estimates are \$2.0 million to \$3.0 million.

There is no cap on the tax rate under the state law authorizing the imposition of TOT. However, any new or increased TOT must be approved by Malibu voters. Thus, it is up to the Council and ultimately the voters to decide an appropriate rate. If however the rate increase is extraordinarily large, a court could find it unconstitutionally confiscatory, prohibitory, or discriminatory. For comparison, staff has provided a list of TOT rates throughout Los Angeles County as of November 2020 compiled by the City's sales tax consultant, HdL Companies, as Attachment 1. It shows the City of Malibu to have the highest TOT rate in Los Angeles County. The highest TOT rate in California that staff was able to identify is 15.5% approved by voters in the City of Palo Alto in 2018. Including Malibu there are 4 cities in California with a TOT rate of 15%. The other cities include Anaheim, Half Moon Bay and Ojai. A graph prepared by HdL Companies depicting the distribution of TOT rates throughout California is provided as Attachment 2.

If the Council were to consider a measure to increase the City's TOT rate by another 3% from 15% to 18%, it is estimated to generate approximately \$1.55 million annually with approximately \$550,000 from hotel/motels and approximately \$1.0 million from private rentals assuming the current STR regulations. Changes to the STR ordinance, once implemented, would diminish these potential increases; the estimated generated revenue would be approximately \$950,000 in total, approximately \$550,000 from hotel/motel and approximately \$400,000 from private rentals (assuming a \$3 million loss in TOT revenue from private rentals). While a TOT increase could help mitigate the anticipated TOT revenue loss, it is not likely to offset the loss.

Additionally, the travel sector tends to be more vulnerable during economic downturns. For both of these reasons, Council may want to consider the elasticity of the demand for transient lodging along with the potential impacts from the proposed Hosted STR regulations.

### *District Sales Tax – Transaction and Use Tax*

The City has the authority to levy a district sales tax commonly referred to as a local transactions and use tax (TUT) for general purposes pursuant to Revenue and Taxation Code section 7285.9. A city may levy, increase, or extend a TUT for general purposes at a rate of 0.125% or a multiple thereof, if the ordinance proposing the tax is approved by a 2/3 vote of the entire City Council and the tax is approved by a majority vote of the City's qualified voters. The City's authority to impose a TUT is subject to the rate limitation specified in statute.

Currently, the allowable sales tax in Los Angeles County is capped at 10.25%. Given that the current sales tax for Malibu is 9.5% (California at 7.25% plus Los Angeles County at 2.25%), Malibu could implement a district tax of up to .75% if approved by voters.

On April 25, 2022, Council directed staff to focus on a TUT rate of .50%. As of April 1, 2022, 51 out of the 88 cities in Los Angeles County have a district tax in place. HdL Companies, has prepared a memo highlighting the differences between local tax allocation and district tax allocation (Attachment 3).

TUT is calculated differently than general sales and use tax. While sales tax is generally allocated to the jurisdiction where the sale is negotiated or the order is taken, revenues from voter-approved TUT are allocated to the place of first use. The City of Malibu can expect to receive transactions tax revenue from normal sales tax-generating businesses like retail stores, service stations, and restaurants. Both visitors and residents alike will pay for the transactions tax on goods that are consumed or taken possession of at the place of business within the City of Malibu. In addition, any purchases shipped or delivered into a Malibu address from outside the City (e.g., business supplies, medication supplies, industrial equipment, construction equipment, furniture, appliances, etc.) will generate additional transactions tax revenue.

However, as the transactions tax relates to registered vehicles, boats and motorcycle purchases, the tax will only be paid by Malibu residents and businesses regardless of where the purchase was made. Therefore, if a Malibu resident purchases a vehicle from an auto dealer outside the City of Malibu, the auto dealer will collect and remit the City's transactions tax.

In Fiscal Year 2021-2022 the City anticipates \$4.5 million in revenue from Sales and Use Tax. With voter approval, the City could implement a district TUT of up to 0.75%. If the Council is interested in pursuing such a tax, it may want to consider different tax rate scenarios up to 0.75%. HdL Companies estimates that a 0.50% TUT is estimated to yield approximately \$2.8 million annually.

To better understand how this revenue would be generated and who would bare the cost, HdL examined the City's market area and analyzed the extent to which the potential TUT revenues would be generated from residents versus non-residents. According to HdL, 73% of the proposed TUT revenue would be generated by non-residents. This is driven by the City's restaurant and hotel sector and is a higher percentage than most municipalities. As a comparison, approximately 80% of the City's Sales and Use Tax revenue is generated by non-residents. The report is provided as Attachment 4.

### *Documentary Transfer Tax*

A Documentary Transfer Tax is imposed on all documents that convey real property within the cities of Los Angeles County. Documentary Transfer Tax is computed when the consideration or value of the interest or property conveyed (exclusive of the value of any lien or encumbrance remaining thereon at the time of sale) exceeds one hundred dollars (\$100), at the rate of fifty-five cents (\$0.55) for each five hundred dollars (\$500), or fractional part thereof. Cities are entitled to half of the County's documentary transfer tax. The Recorder's Office collects the tax on behalf of the cities at the time the document is recorded. Council expressed interest in pursuing a special documentary transfer tax rate similar to the tiered documentary transfer tax structure recently approved by voters in the City of Santa Monica and Culver City which are designed to collect higher taxes from the sale of high-end real estate.

As previously reported to the Council, after further analysis and consultation with the City Attorney, it was discovered that special documentary transfer tax rates can only be imposed by voters in charter cities. Malibu is a general law city and as such Malibu voters do not have the authority to impose an additional documentary transfer tax over and above the rate that Los Angeles County currently imposes. All the cities in Los Angeles County that have special documentary transfer taxes in place (Santa Monica, Culver City, Redondo Beach, Pomona and Los Angeles) are charter cities.

On April 25, Council requested information regarding the process to become a charter city such that it would have the ability to impose a special documentary transfer tax and pursue other initiatives.

### *Process to Become a Charter City*

To become a charter city, a city must adopt a charter. There are two ways to adopt a charter: (1) The city's voters elect a charter commission (which has the responsibility of drafting and debating the charter); or (2) the city council drafts the charter for voter approval.

If the city chooses to draft the charter, after the proposed charter has been drafted, it may be sent to the voters for ratification at the next established statewide general election, provided there are at least 88 days remaining before the election. Before a proposal to adopt a charter is submitted to the voters, the city council must hold at least two public hearings on the matter.

If the city opts to elect a charter commission, an election to create a charter commission and choose charter commissioners may be called by a majority vote of the city council to be held at any general or special election. Charter commission members must be registered voters in the city. At the election the voters will first vote on the question: "Shall a charter commission be elected to propose a new charter?" Second, they will vote for candidates for the office of charter commissioner. If the first question receives a majority vote, the 15 charter commissioner candidates with the highest number of votes will then organize as a charter commission.

Once the charter commission is elected, it is their duty to draft a charter for the city. The charter commissioners shall propose a charter to the city council. Once a final draft of the charter is approved by city council, a majority of the charter commissioners must sign and file the charter with the city clerk.

After the charter has been filed with the city clerk, the proposed charter must be submitted to the voters at the next established statewide general election, provided there are at least 95 days before the election. The charter must be sent to the voters within two years of the vote that formed the charter commission.

In either case (i.e., the charter is drafted by the city council or by a charter commission), the majority of voters must vote in favor of the proposed charter for the charter to be adopted. The City Council can call a special election or allow the charter to be voted on at any established election date, as long as that election date is at least 88 days after the proposed charter was filed with the City Clerk.

The major advantage to a charter is that it transfers the power to adopt legislation affecting "municipal affairs" from the state legislature to the city. The question of whether a given subject matter is a "municipal affair" (over which a charter city has sovereignty) or a matter of statewide concern (over which the State legislature has continuing authority) is a legal determination and will depend on the particular facts and circumstances of each case. Neither the legislature nor the courts have formulated a static definition of a "municipal affair." Some examples of activities considered to be municipal affairs include municipal elections and recalls; the method of enacting local ordinances; land use and zoning decisions (although recent legislation related to affordable housing has been enacted to explicitly apply to both general law and charter law cities – SB9/10 for example); and the methods and procedures for contracting

(charter city may exempt itself from the state's prevailing wage requirements on the city's locally funded projects).

Some other advantages commonly cited are:

- The reduction of legislative interference in city affairs
- Citizens can determine the form and administrative organization of their local government
- Citizens can have a greater voice in the determination of local government policies, which encourages many more citizens to become interested in and participate in local affairs.

Some disadvantages of charter cities that are commonly cited are:

- Frequent changes in the charter may cause instability in local government
- Allows local political and interest groups increased freedom from state supervision and interference
- The system makes the solution of region-wide problems more difficult

Given the requirements involved and the deadlines for the upcoming 2022 General Election, Council may want to consider this for future election cycles.

### *Anticipated Revenue and Expenditure Impacts*

#### *Short-Term Rental Regulations*

On November 23, 2020, the City Council adopted Ordinance No. 472, the Hosted Short-Term Rental (STR) Ordinance, to establish provisions to regulate short-term rental of property citywide which include, but are not limited to, requiring the presence of an onsite host during short-term rentals, primary residency requirements and multifamily restrictions. The Hosted STR Ordinance is intended to supersede the short-term rental regulations and permit program currently in place. The Hosted STR Ordinance regulations cannot go into effect until the associated amendments to the City's Local Coastal Program and Land Use Plan are certified by the California Coastal Commission (CCC). In September 2021, the CCC voted to extend the time limit to schedule the public hearing and take action on the City's proposed amendments until November 2022, but the CCC may act earlier.

In Fiscal Year 2020-2021 the City received \$5.3 million (audited) in transient occupancy tax from private residential rentals, and is anticipated to receive \$5 million from this revenue source in Fiscal Year 2021-2022. The implementation of the Hosted Short-Term Rental Ordinance will have a significant impact on this revenue. Although, the full

impact of this TOT revenue reduction is not known at this time, preliminary loss estimates are \$2.0 million to \$3.0 million.

#### *Malibu Sheriff's Substation*

The Santa Monica College (SMC) Malibu Satellite Campus Project is currently in construction and is anticipated to be substantially complete in Fall 2022. As part of the project, SMC is building a 5,700 square foot Sheriff's substation. The City has been in discussion with Los Angeles County and the Los Angeles County Sheriff's Department regarding the potential staffing for the proposed substation. A variety of staffing scenarios have currently been requested. According to one preliminary estimate, it could cost up to approximately \$4 million annually to staff the facility without jail operations. This cost would be in addition to the amount the City is currently paying for the Sheriff's services it receives out of the Lost Hills Sheriff's Station. While a portion of these proposed costs may be borne by the County, the majority may be the responsibility of the City depending on the negotiated agreement. Ongoing discussions are underway with the County and Sheriff's Department to evaluate staffing levels and costs so that more detailed information can be provided to the Council and presented to the community for input.

#### November 8, 2022 General Election Deadlines

In order to get a tax measure on the November 8, 2022 ballot, the City Council must vote to adopt a resolution by August 12, 2022. The latest regular meeting at which the Council could adopt such a resolution is August 8, 2022. If Council is seriously considering placing an item on the ballot it is recommended that the Council consider the associated resolutions at its Regular July 11, 2022 Meeting if possible.

#### Required Voter Approval for Tax Measures

A TOT or TUT tax measure would require voter approval to be enacted. The requirements for voter approval depend on the purpose of the tax funds. A general tax to be used for general City purposes requires a simple majority of voters, whereas a special tax in which funds will be dedicated for a specific purpose requires a two-thirds supermajority of voters to pass. Voting on a general tax measure must be held as part of a consolidated general election that includes election of members of the governing body. Malibu's next consolidated general election is scheduled for November 8, 2022. Special taxes may go on the general election ballot, a special election ballot, or an all-mail ballot.

Given the timing of the next consolidated election and the lower threshold for approval, it is recommended that the City pursue a general tax that can be used for general City purposes.



### Consideration of Potential Ballot Measures

If the Council is interested in placing a tax measure for the November 2022 election, conventional wisdom suggests that the Council select one tax measure to focus on. Limiting the focus to one tax measure is said to improve the chances of that measure gaining voter approval. It is recommended that Council consider focusing on either increasing the TOT or imposing a TUT at a rate to be determined.

### Potential Next Steps

If the Council wishes to initiate a ballot measure to impose a TOT or TUT measure for the November 8, 2022 General Municipal Election, it must direct staff to bring back resolutions to submit the question to the voters, setting priorities for arguments and rebuttals, and direct the City Attorney to prepare an impartial analysis. The Council must call for election ballot measures at a Council Meeting prior to August 12, 2022.

### ATTACHMENTS:

- 1) TOT Rates in Los Angeles
- 2) Chart of TOT rates throughout California
- 3) HdL Companies memo regarding Local Tax Allocation vs. Transaction (District) Tax Allocation
- 4) HdL Companies report on Resident/Non-Resident Analysis

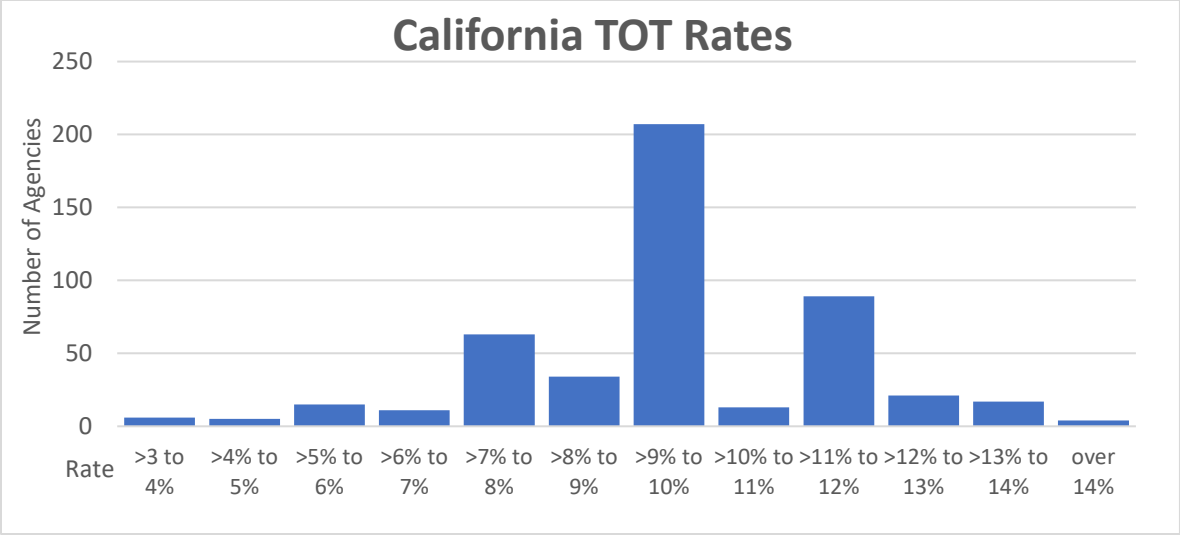
# **Transient Occupancy Rates** **Los Angeles County**

**as of November 2020**

<b>City</b>	<b>Rate</b>
Malibu	15.0%
Beverly Hills	14.0%
Culver City	14.0%
Diamond Bar	14.0%
Hermosa Beach	14.0%
Inglewood	14.0%
Los Angeles	14.0%
Santa Monica	14.0%
Long Beach	13.0%
Artesia	12.5%
West Hollywood	12.5%
Pasadena	12.1%
Agoura Hills	12.0%
Alhambra	12.0%
Avalon	12.0%
Bell	12.0%
Calabasas	12.0%
Cerritos	12.0%
Commerce	12.0%
El Segundo	12.0%
Hawthorne	12.0%
Manhattan Beach	12.0%
Monrovia	12.0%
Monterey Park	12.0%
Redondo Beach	12.0%
San Dimas	12.0%
San Gabriel	12.0%
Gardena	11.0%
Torrance	11.0%
Arcadia	10.0%
Azusa	10.0%
Baldwin Park	10.0%
Burbank	10.0%
Claremont	10.0%
Covina	10.0%
Duarte	10.0%

<b>City</b>	<b>Rate</b>
El Monte	10.0%
Glendale	10.0%
Irwindale	10.0%
La Puente	10.0%
La Verne	10.0%
Lomita	10.0%
Montebello	10.0%
Norwalk	10.0%
Palmdale	10.0%
Paramount	10.0%
Pico Rivera	10.0%
Pomona	10.0%
Rancho Palos Verdes	10.0%
Rolling Hills Estates	10.0%
Rosemead	10.0%
Santa Clarita	10.0%
Santa Fe Springs	10.0%
Temple City	10.0%
West Covina	10.0%
Westlake Village	10.0%
Whittier	10.0%
Bellflower	9.0%
Carson	9.0%
Downey	9.0%
Hawaiian Gardens	9.0%
La Mirada	9.0%
Lawndale	9.0%
Signal Hill	9.0%
Walnut	8.5%
Bell Gardens	8.0%
Cudahy	8.0%
Industry	8.0%
Lakewood	8.0%
South El Monte	8.0%
South Gate	8.0%
Compton	7.5%
Lancaster	7.0%
Glendora	6.0%
Huntington Park	5.0%
Maywood	5.0%
Bradbury	none

<b>City</b>	<b>Rate</b>
Hidden Hills	none
La Canada Flintridge	none
La Habra Heights	none
Lynwood	none
Palos Verdes Estates	none
Rolling Hills	none
San Fernando	none
San Marino	none
Sierra Madre	none
South Pasadena	none
Vernon	none



## LOCAL TAX ALLOCATION VS. TRANSACTION (DISTRICT) TAX ALLOCATION

Under the Bradley-Burns Uniform Local Sales & Use Tax Law, most retail sales are deemed to occur at the retailer's place of business in this state, if that is where the sale is negotiated. Exceptions may include certain auctioneers, vending machine operators and construction contractors. If the retailer has more than one place of business in this state, the sale is deemed to occur at the location where the principal negotiations take place. Generally, the local one percent tax is allocated to the jurisdiction where the retailer's place of business is located and the local use tax is allocated indirectly through the countywide pools where the property is used.

For the purposes of distributing the district tax, the tax generally follows the merchandise. That is, the tax is generally distributed to the district where the goods are delivered (and presumably used). In order for the retailer to be responsible for collecting district tax, one of the following conditions must be met:

- A. The retailer has a business location in the district, and the sale and/or delivery occur at the location.

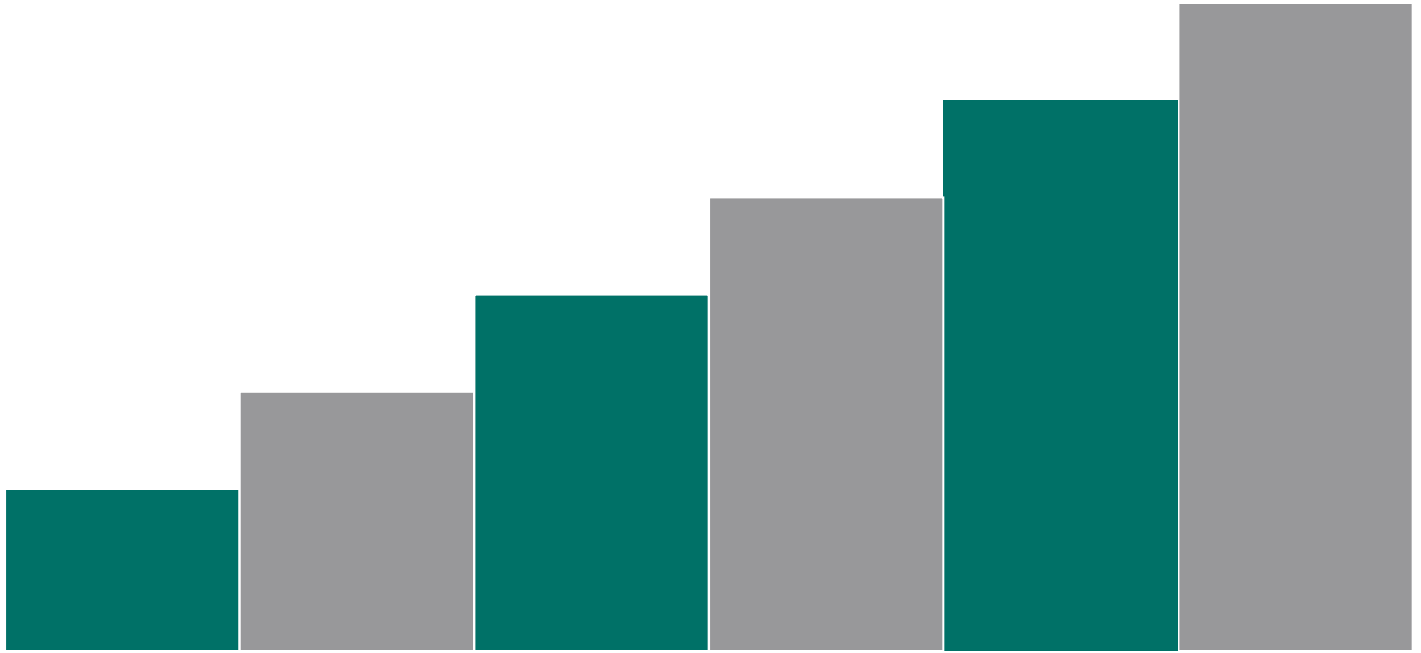
**OR**

- B. The retailer is engaged in business in the district as defined by one of the following:
- a. The retailer has any kind of representative operating in the district for purposes of making sales or taking orders
  - b. The retailer delivers goods to the buyer using their own vehicles or trucks
  - c. The retailer leases or sells vehicles, undocumented vessels or aircraft that will registered within the district.

Local agencies attempt to draw a correlation between local sales and use tax and transactions and use tax collected in their city/county. Since the factors determining whether a transaction is subject to local sales and use tax differ from those that indicate whether the same transaction is subject to transaction and use tax, it is not always possible to establish a direct correlation between the two.

### ***Examples:***

- ❖ City A has a .5% district tax. A retailer has a place of business within the city. Customers purchase goods on a cash and carry basis. The retailer is responsible for collecting and remitting both the local 1% tax and the .5% district tax, both are allocated to City A.
- ❖ City A has a .5% district tax. A resident in City A purchases an appliance from a retailer located in City B. The retailer has only one location in the state, and agrees to deliver the merchandise to the buyer's home. The local tax is allocated to City B. The retailer is obligated to collect and remit the district tax for City A only if he uses his own vehicle for the delivery, which creates nexus. If the goods are delivered by common carrier, which includes FedEx or UPS, the retailer is not considered to be "engaged in business" in City A and not liable for any district tax.
- ❖ City A has a .5 district tax. A retailer has a brick and mortar store in City A, but ships property to a buyer in City B, which has no district tax. The retailer collects only the state and local tax applicable to City A, but no district tax.
- ❖ City A has a .5% district tax. An out of state retailer has no place of business in this state, but does have home based sales representatives that call on customers within City A. Goods are shipped to California customer from an out of state location. The local 1% is allocated to the countywide pool based on place of use, and the retailer must collect the district tax which is allocated to City A.
- ❖ City A has a .5% district tax. City B has a 1% district tax. A retailer located in City A sells and delivers goods to a customer located in City B. The retailer uses their own truck for the delivery. The seller is required to collect the local tax on behalf of City A and the district tax for City B.



*Development Driven by Data*

# City of Malibu Resident/Non-Resident Analysis

## Overview

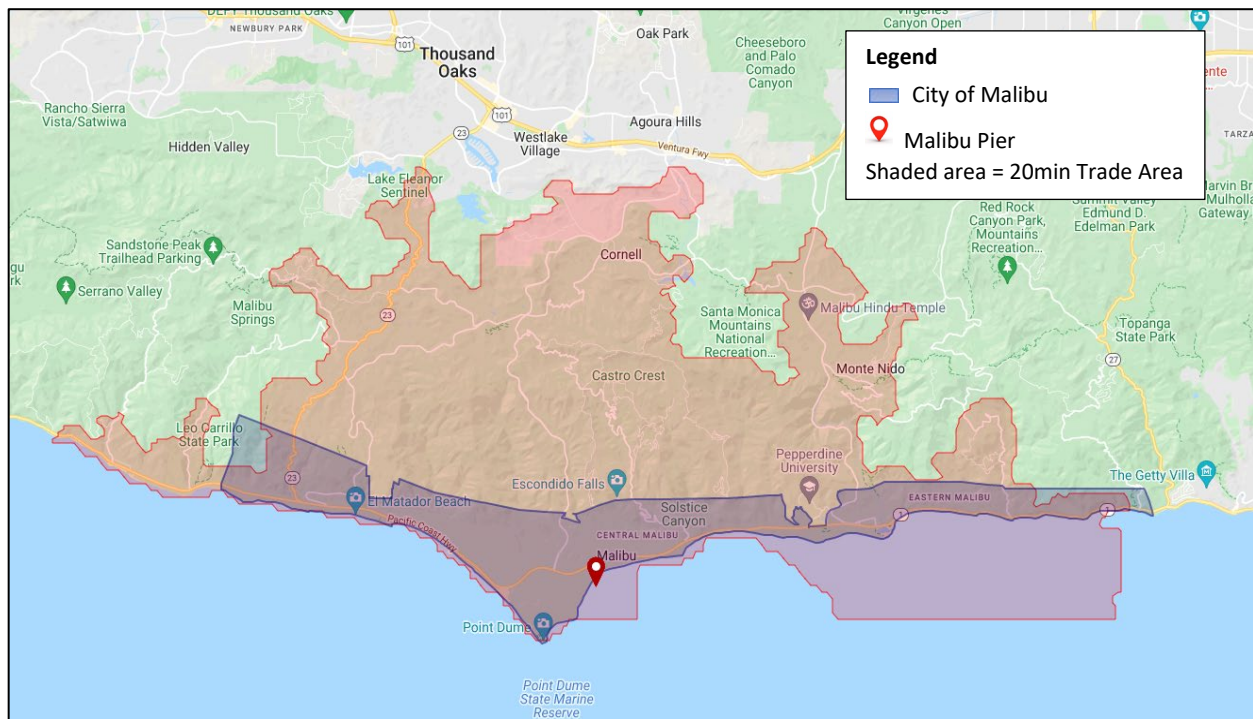
Malibu is a beach city situated along the Santa Monica Mountains in Los Angeles County, stretching 21-miles long of scenic beauty along the Pacific coast and is easily accessible, via Pacific Coast Highway 1.

The City of Malibu was incorporated in 1991 and it has an approximate population of 12,330 with an impressive daytime population increase, almost doubling the city's population to 24,368 during the daytime. Malibu is home to celebrities and multiple famous beaches including, Zuma Beach, El Matador Beach, Leo Carrillo State Beach and Malibu Lagoon State Beach, which makes it an ideal location for restaurants and hotels.

Proximity to Pepperdine University and Getty Villa Museum (all within 5-10 minute drivetime) attract college population, professional population as well as tourists from outside the city. Below is a summary of the market analytics, for City of Malibu and trade area within a 20-minute drive.

	City of Malibu	20-Minute Drive Time
<b>Population</b>	12,330	15,256
<b>Households</b>	4,859	5,271
<b>Average HH Income</b>	\$275,888	\$258,481
<b>Daytime Population</b>	24,368	25,074

The economy of Malibu employs approximately 9,451 (Source: SiteSeer Demographics) people in specialized industries such as Educational Services, Health Care & Social Assistance and Retail Trade. The largest industry category in the City of Malibu is Educational Services, providing employment to approximately 17% of the total workforce within the City of Malibu.





### Non-Resident Spending Summary

The City has requested an estimate of the approximate amount of sales and use tax revenue generated by residents versus non-residents. Hereafter, individuals and businesses residing and located within the city will collectively be referred to as residents. While individuals and businesses residing and located outside of the city will collectively be referred to as non-residents.

The table below summarizes the results of the analysis based on Fiscal Year 2020-21, showing 80.1% of the 1% Bradley Burns Sales Tax is estimated to be paid by non-residents. Such a tax is generally assessed based on where the sale is negotiated or the place where the order is taken. Because Transactions and Use Taxes (TUT) are charged in accordance with where purchased goods are delivered or placed into use, HdL's estimate for the percentage of a TUT that would be paid by non-residents is slightly lower at approximately 73.0% due to the businesses that primarily market and sell their goods and services to buyers and businesses outside the City's jurisdictional boundaries.

Economic Segment	Bradley Burns 1% Sales & Use Tax	Transactions & Use Tax
	Non-Resident	Non-Resident
Autos & Transportation	29.4%	13.4%
Building & Construction	21.1%	63.8%
Business & Industry	58.1%	20.5%
Food & Drugs	86.1%	86.1%
Fuel & Service Stations	55.7%	55.7%
General Consumer Goods	64.9%	30.3%
Restaurants & Hotels	101%	101%
<b>Estimated Generated Revenue</b>	<b>80.1%</b>	<b>73.0%</b>

*Estimated % of Sales Tax Revenue Generated from Non-Residents*

The figures shown above were obtained utilizing a variety of methodologies customized to each economic segment. These methodologies consider the mix of businesses located in the City, per-capita-sales within the City versus the per-capita-sales across Los Angeles County, as well as factoring average income population and trade area daytime- population for the designated trade areas previously described as a percentage of those categories within the City.

## Analysis Summary

Sales Tax Revenue for the City of Malibu by Business Categories in Calendar Year 2020:

- The Autos & Transportation sector makes up 3.1% of the Bradley Burns Sales Tax revenue.
- The Building & Construction sector makes up 3.2% of the Bradley Burns Sales Tax revenue.
- The Business & Industry sector generates 5.0% of city's total 1% Bradley Burns Sales Tax revenue.
- The Food & Drugs sectors makes up 10.7% of the Bradley Burns Sales Tax revenue.
- The General Consumer Goods sector makes up 23.7% of the Bradley Burns Sales Tax revenue.
- The Fuel & Service Station sector brings in 7.9% of the Bradley Burns Sales Tax revenue.
- The Restaurants & Hotel sector brings in 45.7% of the Bradley Burns Sales Tax revenue.

It is worth noting that the Restaurants & Hotels sector produced almost half the total Bradley Burns Sales Tax revenue for City of Malibu in 2021 with significantly higher per capita sales, more than five times the per capital sales level of Los Angeles County. This is supported when reviewing the Consumer Demand & Market Supply Assessment, the Restaurants & Hotels segments reflect an average of \$3.6M in supply surplus while fulfilling close to \$35M worth of consumer demand.

Additionally, General Consumer Goods sector produced almost 1/4 of the total Bradley Burns Sales Tax revenue for City of Malibu, and it also has a significantly higher per capita sales, more than two times the per capital sales level of Los Angeles County. This is supported when reviewing the Consumer Demand & Market Supply Assessment, the General Consumer Goods segments reflect an average of \$22M in supply surplus while fulfilling close to \$58M worth of consumer demand.

## Conclusion

Local tax is the general term for sales and use taxes imposed under the Bradley Burns Uniform Sales and Use Tax Law. The basic statewide sales and use tax rate is divided between the State, the local jurisdiction (City or county of place of sale or use) and the local transportation fund (County of place of sale or use). Whereas, when implemented District Taxes are imposed locally under the Transaction and Use Tax Law (TUT). The tax rate in a locality that imposes a TUT will have a higher tax rate than the statewide rate, depending on the district taxes that apply.

City of Malibu is attracting a healthy number of outside consumers into the city, showing that non-residents visiting the city, commuting employees and vacationers are exponentially increasing sales tax revenue, especially in Restaurants & Hotels and General Consumer Goods sectors. To that end, it is estimated that in Malibu 80.1% of the Bradley Burns (local tax) sales tax revenue and 73.0% of Transaction & Use Tax (TUT) revenue is generated by non-residents