TO: Jeremy Green, City Clerk/Elections Official for the City of Culver City

Pursuant to California Elections Code and as directed by the City Council of the City of Culver City, I am providing you with an Impartial Analysis of Proposed Measure __, entitled Real Property Transfer Tax for Essential Services, which Measure the City Council placed on the ballot of the November 6, 2018, Special Municipal Election.

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE

The Culver City City Council placed Measure __ on the ballot, which would adopt an ordinance amending Culver City Municipal Code Section 3.08.400, which currently imposes a flat 0.45% tax on the transfer of real property in Culver City, based, in general, on the amount paid for the property. The current flat 0.45% tax rate was adopted in 1991 as a single rate, applied to all real property transfers and sales, regardless of price paid.

This Measure would establish four tax tiers, on a marginal basis:
1) 0.45% on amounts of $1,499,999 or less.
2) 1.5% on amounts from $1,500,000 to $2,999,999.
3) 3% on amounts from $3,000,000 to $9,999,999.
4) 4% on amounts $10,000,000 and above.

A “marginal” tax rate means each tier of a transaction is taxed at a different rate. For example, on a sale of $11,000,000, the first $1,499,999 would be taxed at the 0.45% first tier rate. Next, the amount from $1,500,000 to $2,999,999 would be taxed at the 1.5% second tier rate. The amount from $3,000,000 to $9,999,999 would be taxed at the 3% third tier rate. Then, any amount from $10,000,000 and over would be taxed at the 4% fourth tier rate. The amount of tax for each sales price tier would be added together for the total tax due. A marginal tax rate provides a lower overall tax rate than a flat tax.

The current 0.45% flat rate will remain for transfers or sales of 100% affordable housing. It also would apply to the first transfer or sale of real property that contains four or more residential units, with at least one of the units newly constructed within the past five years, resulting in a net increase of the total number of dwelling units on the property.
Measure ____ also provides that the monetary thresholds for the four tax rate tiers shall be adjusted upward or downward every five years, based on the Consumer Price Index for the local region, subject to specific criteria. Adjusting the monetary thresholds for the tiers upward based on the CPI would raise the threshold dollar amount of each tier.

This tax is a "general tax," not a "special tax," and may be used for any valid municipal purpose. General tax revenues are deposited into the City's General Fund and do not go to the County or State.

As with the current transfer tax, either the seller or buyer may pay the tax during the real estate transfer or sale. If it is not paid, the seller and buyer are jointly and severally liable to the City for the payment of the tax. Like other City revenues, the tax is subject to annual independent audits.

To be adopted, State law requires this Measure be approved by a majority of voters. A “Yes” vote on Measure ____ would adopt the ordinance. A “No” vote would not adopt the ordinance. If adopted, the transfer tax will remain in place until repealed by the voters.

Dated: August 12, 2020

Carol A. Schwab
City Attorney
City of Culver City