

COMMUNICATION

TO: LOS ANGELES CITY COUNCIL

File No. 13-1100-S4

**FROM: COUNCILMEMBER HERB J. WESSON, JR., CHAIR
RULES, ELECTIONS AND INTERGOVERNMENTAL RELATIONS COMMITTEE**

COMMUNICATION FROM CHAIR, RULES, ELECTIONS AND INTERGOVERNMENTAL RELATIONS COMMITTEE relative to an analysis of a proposed Documentary Transfer Tax Ballot Measure.

SUBMITS WITHOUT RECOMMENDATION the following recommendations of the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA):

1. REQUEST that the City Attorney, with the assistance of the CLA and the CAO, prepare the necessary Ordinance and Resolution to place a tiered-rate Documentary Transfer Tax measure on the March 5, 2013 Primary Nominating City Election ballot; said documents to be transmitted no later than November 6, 2012.
2. INSTRUCT the City Clerk, upon submission of the ordinance and resolution, to place them on the next available Council Agenda for consideration on or before November 13, 2012.
3. INSTRUCT the Offices of the CLA and CAO to finalize a Budget Stabilization Fund policy and report to Council with funding recommendations.

Fiscal Impact Statement: The CAO and CLA report that approval of proposed tiered rate documentary transfer tax structure by Los Angeles City voters will generate approximately \$76 million to \$82 million in General Fund revenues and would reduce the structural deficit in outgoing years. The cost for putting a measure on the City Primary Nominating election ballot is included in the budgeted funds of the City Clerk.

Community Impact Statement: None submitted.

SUMMARY

At its special meeting of October 19, 2012, the Rules, Elections and Intergovernmental Relations Committee considered a joint CAO and CLA report relative to an analysis of a proposed Documentary Transfer Tax Ballot Measure. The CAO and CLA report that on August 21, 2012, Council held its annual Revenue Day meeting to consider opportunities to maximize existing revenue and to identify new revenue sources. Separate reports from the CAO and the CLA considered at that meeting proposed increasing the Documentary Transfer Tax to augment General Fund revenue. Pursuant to Proposition 218, such a tax increase requires the City to submit a ballot measure for voter approval. Council directed the CAO and CLA, with the assistance of the City Attorney, to report on this proposal prior to moving forward. Additionally, Council requested an analysis of a documentary transfer tax structure similar to that of the City and County of San Francisco, which incorporates a progressive rate structure based on the sales price and provides discounts for solar and seismic improvements. The CAO and CLA report, attached to the Council file, provides an analysis of the proposed documentary transfer tax.

In the report, the CAO and CLA recommend that the City implement a tiered documentary transfer tax structure because of its minimal impact to sales. The City hired Beacon Economics to evaluate the impact from a flat increase of the transfer tax (from \$4.50 to \$9.00 per \$1,000 of the sale price) and the implementation of a progressive tax structure based on sales price (rates ranging from \$2.25 to \$9.00 per \$1,000 of the sale price). The complete analysis from the consultant is attached to the report on the Council file.

After consideration and having provided an opportunity for public comment, the Committee Chair recommended to submit the matter to Council without recommendation. This matter is now forwarded to Council for its consideration.

Respectfully submitted,

HERB J. WESSON, JR., Chair
RULES, ELECTIONS AND INTERGOVERNMENTAL RELATIONS COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
WESSON:	YES
LABONGE:	ABSENT
HUIZAR:	ABSENT

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[13-1100-S4](#)_rpt_reir_10-22-12

-Not Official Until Council Acts-