From: OZ <zurawska@yahoo.com>
Sent: Thursday, June 16, 2022 12:09 PM
To: SmHousing Mailbox <SmHousing.Mailbox@santamonica.gov>; Mary Ore <Mary.Ore@santamonica.gov>
Subject: general public input

EXTERNAL

Wow, that's an empty agenda...

Perhaps this Commission should be disbanded after all if it has nothing to talk about.

Why isn't there info on the agenda how to submit public comments?

From: OZ <zurawska@yahoo.com>
Sent: Thursday, June 16, 2022 12:01 PM
To: SmHousing Mailbox <SmHousing.Mailbox@santamonica.gov>; Mary Ore <Mary.Ore@santamonica.gov>
Cc: Theresa Marasco <Theresa.Marasco@santamonica.gov>; Michelle Gray <Michelle.Gray@santamonica.gov>; Gina Debaca <Gina.Debaca@santamonica.gov>; Dominic Gomez <Dominic.Gomez@santamonica.gov>
Subject: OPPOSE 9A - NO to Dan Tenenbaum

EXTERNAL

NO to inviting Dan Tenenbaum.

1. The lobbyist Leonora Camner threw a fir at last month's Commission meeting and attempted to attach some strings to the invitation the Commission was considering for Marc Verville. In Ms. Camner's mind, it's simply unfair that she is now in the minority (soon to leave the Commission for good), so she demanded someone more aligned with her Urban Growth Machine be invited too. Well, that is not how it works. The Commission votes in a democratic manner who is or isn't invited to speak.

2. It was said clearly at last months's Commission that the person invited was supposed have expertise in Santa Monica specific issues, which Dan Tenenbaum does not.

3. Dan Tenenbaum is part of the Urban Growth Machine whose idea is to displace people from small buildings in multifamily areas, and give them private housing subsidies funded by the developers as consolation...

"Let's be creative! Let's find ways to deal with this so we can really build up the city, because we're gonna need that to hit our housing element goals!" - he says.

[Rethinking the LA Housing Paradigm, or How to Make the System Work For Us, and Not Against Us]

Rethinking the LA Housing Paradigm, or How to Make the System Work For U...

Dan Tenenbaum – [Founding Principal, Pacific Crest Real Estate]
Dan Tenenbaum is the founding principal of Pacific Crest Real Estate (PCR). Since 1995, he has overseen all PCR activities including the acquisition and management of multifamily housing in Los Angeles. Under his leadership he has acquired real estate holdings valued at over $200 million and managed over 1,300 apartment units. Mr. Tenenbaum is the Past Chair of the California Apartment Association (CAA) Los Angeles Advisory Council and a member of the CAA State Board in Sacramento, where he is a member of its Legislative Steering Committee that reviews all proposed housing-related legislation in the State Legislature.

In 2016 Daniel was appointed by the Mayor of Los Angeles as a commissioner of the Housing Authority of the City of Los Angeles, a $1.4 billion organization that provides housing subsidies and programs for low income and homeless individuals. HACLA also oversees the management of over 58,000 subsidized apartment units, making it the third largest landlord in the city. He was reappointed in September 2019 for a 4-year term and is currently Vice-Chair of its Board of Commissioners.

Daniel obtained his master's degree in business administration from Harvard Business School and a bachelor's of commerce degree from

McGill University. While at McGill, he was President of the Student Society, representing over 25,000 undergraduate and graduate students.

Daniel resides in Los Angeles with his 2 daughters. He is fluent in French and conversant in Spanish, Danish and Hebrew."

From: OZ <zurawska@yahoo.com>
Sent: Thursday, June 16, 2022 11:48 AM
To: SmHousing Mailbox <SmHousing.Mailbox@santamonica.gov>; Mary Ore <Mary.Ore@santamonica.gov>
Cc: Theresa Marasco <Theresa.Marasco@santamonica.gov>; Michelle Gray <Michelle.Gray@santamonica.gov>; Gina Debaca <Gina.Debaca@santamonica.gov>; Dominic Gomez <Dominic.Gomez@santamonica.gov>; Josh Hamilton <Josh.Hamilton@santamonica.gov>; Leonora Camner <Leonora.Camner@santamonica.gov>; James Kemper <James.Kemper@santamonica.gov>; Andy Agle <Andy.Agle@santamonica.gov>
Subject: public input 9C – the deceptive Himmelrich/Soloff/Katz ballot initiative

EXTERNAL

We can count on the last SMRR lackey on the Housing Commission to promote this deceptive ballot measure at a Commission meeting.

The actual facts and figures are spelled out below in three articles by a seasoned financial professional – for those who prefer rational thinking to vague propaganda on "values."

1) https://www.surfsantamonica.com/ssm_site/the_lookout/letters/Letters-2022/06_14_2022_OPINION_Marc_Vervilles_Rebuttal_to_Denny_Zane.html

Marc Verville's Rebuttal to Denny Zane

June 5, 2022

By Marc L. Verville

With all due respect to Mr. Zane, his response shows a complete disregard for the residents of Santa Monica and the fundamentals of economics of both the Himmelrich tax proposal and the city itself.

To be clear, the Himmelrich tax proposal's rate is 804% (5.71% ÷ 0.71%) of the existing tax and is a 704% (5.00% ÷ 0.71%) increase over the existing tax, which is less than 1 percentage point. The Himmelrich proposal would increase the transfer tax at the threshold $8 million level to 5.71% from the current

0.71%, on the entire transaction value. That is the basic math that seems to elude both Mr. Zane and Ms. Himmelrich.

Mr. Zane disingenuously characterizes the current tax of 0.71% as "very tiny." He then goes on to state that "the Real Estate Transfer Tax, in Santa Monica, has been very, very low for decades…" Santa Monica's current transfer tax rate places it as the 14th highest across 482 California cities. The proposed rate would place it as THE highest rate in the state up to $25 million and even then, it would become the second highest only by a margin of 0.29% (the highest then being San Francisco).

It is not clear if Mr. Zane's comments are driven by miscomprehension of fundamental economics, but, regardless, the proposed 5 percentage point (704%) increase in the tax would create an additional and immediate $400,000 liability on a property at the $8 million level, regardless of when it was purchased.

A $400,000 increase cannot be classified as "tiny" in anyone's language except, perhaps, in Mr. Zane's. The point is that the transaction values against which the tax rate is applied are huge and have been rapidly increasing for decades. The median home sales price in Santa Monica increased 240% from 2000 to 2018. The rate is likely to be closer to 300% today.

That would equate to a 5.6% annual growth rate in transfer tax receipts since 2000 assuming relatively constant number of transactions per year. To this point, Mr. Zane conveniently omits the fact that the sale of real property is likely the largest transaction in most residents' lives. Thus, the tax impact reflects the size of the transaction. We are not talking about the sales tax on buying a gallon of paint at the hardware store.

And, while proposing such a tax, neither Mr. Zane nor Ms. Himmelrich felt responsible enough to the residents to do their homework and identify just what types or properties would be impacted.

Mr. Zane notes that "that (would) require going to Norwalk to examine individual transfer deeds." So, while blithely proposing a $400,000 tax increase on residents' transactions, the proponents of this tax cannot be bothered to identify who in the city will be most impacted. This represents an unimaginable disdain for the city's residents and property owners.

According my analysis of property transactions in the past 12 months that would be subject to the Himmelrich tax proposal, ("New City Financial Plan: The Resident Homeowner Bank Part II: Who pays the proposed transfer tax and where does the money go?"), there were 45 qualifying transactions of

which residential sales accounted for around 79% of the total real estate sales value.

Of that total, there were 34 single family residence sales accounting for around 78% of the residential sales value while five apartment house transactions of 5+ units represented about 21%.

As to Mr. Zane's point that "a little more than 5% of total transactions" would be impacted and that "95% of transactions (in 2019)…would have been unaffected," he fails to point out that without an inflation escalation clause, more and more properties will fall under the tax, which is why it has been so designed.

Then there is Mr. Zane's comment that "with cities all over California in need of new revenues to cover growing costs." But using such flawed logic, Mr. Zane also displays an amazing and complete absence of understanding of Santa Monica's financial situation.

In reviewing the 121 cities nationwide with populations over 200,000, Santa Monica would rank in roughly the top 10 in revenue per resident. Looking at the California subset of those cities, and adding other cities such as Beverly Hills and Palo Alto, Santa Monica would rank at approximately #4 in revenue per resident.

Very few cities have the tax subsidies provided by tourism that Santa Monica has. And starting under prior city administrations pre-covid, the uncorrected decimation of the downtown is depriving the city of even more tens of millions annually in general tax revenues. So, generically lumping Santa Monica into an undefined "other cities" bucket is an exercise in complete misdirection, as well as inexcusably unresearched.

Meanwhile, the existing structure and level of city revenues has enabled the city to spend $1.4 billion on housing and community development (HCD) since 2004. Under the existing financial structure, the city spending on HCD overall has been a relatively consistent average of $60 million per year in the preceding five pre-covid years and $40 million in 2021. Moreover, the city has built over 4,000 affordable units since the 1980s and permitted 743 from 2013 to 2021.

The red herring that Mr. Zane throws out about Trump era tax legislation omits the fact that it limited deductions for property and state taxes paid by most homeowners in Santa Monica, having a negative effect on our residents.

Let's not forget that the entire spending proposal omits funding for any infrastructure or services costs that the unrelenting building would generate. So, this tax is only the beginning, with additional taxation of the residents

necessary over time to support a growing amount of non-revenue generating construction which, if it displaces retail, simultaneously reduces revenues, generating a deeper hole requiring even more new tax requirements.

Finally, the Himmelrich initiative is being marketed as reflecting the city's values, but the proposal shields the resulting cash flow from the city's elected representatives' spending priorities, which negates the democratic expression of the city's values.

The Brock proposal would provide for a level of bridge revenues (that must be governed by an included sunset provision) until our commercial activity returns to pre-pandemic levels and until we realize the significant cost savings opportunities that Ms. Himmelrich has admitted exist but has not effectively pursued.

And, importantly, it preserves the residents' democratic control over the city's values as expressed by Council authority over spending decisions.

Marc Verville is a member of the Santa Monica Audit Subcommittee who served as Vice President of Finance and Business Analysis at Warner Bros. before his retirement.

2. https://smmirror.com/2022/04/sma-r-t-column-new-city-financial-plan-the-resident-homeowner-bank/

SMa.r.t. Column: New City Financial Plan – The Resident Homeowner Bank

Part 1 of 2

In this two-part article, we will discuss both the proposed transfer tax ballot initiative and the fundamental shift in city residential/commercial composition that will drive further emphasis on direct taxation of residents.

In this installment, we explore this proposed tax within the context of its role as a leading indicator of the fundamental restructuring of the city's commercial and residential municipal revenue balance to fund the city's ongoing, and growing, spending requirements.

The long-term implications of this commercial and residential rebalancing go far beyond this proposed ballot initiative. While it may impact every resident with various taxes and fees, it will especially impact single-family homeowners, as Part II will discuss.

The shift to homeowners is already underway. Ballot Measure SM in 2020 increased the Santa Monica share of transfer tax on real estate sales above $5 million by 100%, to $6 per $1,000. Then, in February, the finance department proposed placing another parcel tax on the 2022 ballot to fund libraries, which was a use to have been funded by Measure SM.

And, since the ballot is being qualified through a citizen signature petition, it only requires a simple majority (>50%) of votes cast to pass. Future changes would be relatively easy to implement on the same basis. Thus, lowering the current $8 million threshold over time to capture more revenues could occur.

What is the ballot initiative being proposed?

Consistent with a privately-funded initiative, paid signature gatherers are currently collecting signatures to place the titled “Funding for Homelessness Prevention, Affordable Housing, and Schools” onto the November 2022 ballot. This initiative – if it qualifies for the ballot and is supported by over 50% of the votes cast in November – would create the highest real estate transfer tax in the state for property sales from $8 million up to $25 million. It is over 8 times (800%) the current tax and over 10 times the city of Los Angeles’ rate.

This tax rate would be second only to San Francisco for transactions above $25 million. Currently, the sale of an $8M property in Santa Monica triggers $56,800 in transfer tax. If this initiative is passed, that tax would go up by $400,000 to $456,800, regardless of how long a property was held.

Part II of this article will discuss uses in more detail but the funding of affordable housing is a core stated use. This use creates financial deficits from the increased services and infrastructure costs, commercial revenue reductions outlined below, and lost property taxes if the 100% affordable projects are located on non-public land since such projects are largely exempt from property taxes.

There is no stated plan to quantify or cover these net new deficits in future city funding.

Affordable housing is necessary but it has a large regional component. The City has not asked or required the state to provide support for its mandates. While there have been months spent analyzing zoning unit capacity, there has been zero analysis about municipal financial capacity. The result is that no one can say how much we really need or can afford.

Affordable housing must be affordable to the city as well.

Why this kind of tax? City movement towards increasing direct taxation of residents, especially homeowners.

The imposition of such a significant non-commercial-based tax indicates a clear shift in policy. Why? Two reasons. First, the city has decided to implement, without challenge, the arbitrary State housing mandates that have no specified outcomes, other than to build to an assigned unit number. Second, the city has decided that locating the new housing on commercial land is something akin to a "free lunch" since it is not currently housing. Of course, it's only a "free lunch" when the financial impacts are ignored.

To make matters worse, the city has inexplicably prioritized this commercial property repurposing in the especially high tax-generating visitor areas such as Downtown in general and the Promenade in particular. Following closely behind, with a separate set of issues, are commercial areas along transit routes (i.e., transit-oriented development – TOD).

Of course, this approach relies entirely on the non-acknowledgment, or outright denial, of the huge municipal financial opportunity costs involved in losing these low-city-cost revenue-generating commercial resources. Meanwhile, no evidence has been provided on the effectiveness, realizable benefits or relevance of TOD development in Santa Monica(a).

While not debated, this policy direction has been announced in at least two City Council meetings: the March 9, 2021 meeting item regarding approval for the Tesla Supercharging Station and again in the October 12, 2021 Council discussion of the Housing Element. In the latter meeting, while discussing housing, the mayor, who is also the private sponsor of this transfer tax initiative, asked "Can't we just eliminate commercial (zoning)? Make it a disfavored use?" The question not asked…How much will this cost the city?

How is this shift from tax-generating commercial uses to residential housing being managed?

There is an absence of any economic analysis to assess the issues inherent in such a fundamental policy shift serve. This precludes any open discussion with all city stakeholders. Regardless, this policy shift is going straight through to implementation, entirely through incremental administrative and operational means:

1. Elimination/conversion of commercial infrastructure (e.g., parking structures and lots) of which Parking Structure 3 is likely only the first city parking structure to go.

2. Maintenance of failed homeless policies in the key downtown commercial areas, which continues to discourage entrepreneurs, creating storefront vacancies currently at a nominal 52%. The true rate is 64% when month-to-month pop-up rentals are excluded.

3. Longstanding inattention to rising crime that surged 43% in Downtown alone between 2006 and 2019(b) and is arguably depressing rebound in visitor activity, reducing visitor sales tax receipts and risking hotel occupancy tax receipts.

4. Complete absence of any meaningful business planning by the Downtown Santa Monica (DTSM) organization to provide conceptual revitalizing pivots for both the Promenade and downtown, despite managing a $10 million annual budget

5. Incrementally shifting of tax burdens directly onto homeowning residents.

But aren't the mixed-use formats of the new housing projects a commercial replacement?

New residential projects across the city are generally being approved on a "mixed use" basis with a ground floor commercial space. They are spread throughout the city and will likely be used to eventually replace the commercial-only facilities on the Promenade. These projects are also being subject to the latest land-use planning fad of providing less than one parking space per unit, if any parking is provided at all. The absence of parking does not mean the absence of cars, as was noted in this space in February. (a)

The unintended consequence is that even though new commercial square footage may be provided, the ingress/egress traffic congestion, distributed locations and haphazard business formats (e.g., tattoo parlors, potential pet stores, etc.) will limit sales to a fraction of what a properly managed, themed and branded visitor destination such as the Promenade, specifically, and downtown, generally, are highly capable of delivering. In some areas, the parking issues alone could render the spaces unusable.

Why does replacing Santa Monica's commercial uses with housing impact tax revenues?

The replacement of commercial, especially retail, with housing has a uniquely multiplicative detrimental effect on city finances. The type of tourist/visitor retail that Santa Monica has spent decades developing is unique. It is a special type of high-volume scaled retail that derives from the city's unique position as a tourist and visitor destination. Visits are enabled by critical, convenient and efficient commercial infrastructure such as adjacent parking in timelessly useful structures designed decades ago to encourage easy foot traffic access to all shopping areas. Combined, these factors have attracted tourists and visitors that spend far beyond what the basic

resident base provides. And, since the commercial properties do not have residents, the tax revenues are generated at a very low cost to the city.

The key city commercial properties are the Promenade, SM Place and the surrounding downtown areas that benefit from the higher visitor spending levels. Based on historical data, it's clear that properly managed and marketed, with downtown safety and sanitation issues resolved, these areas hold significant potential for much greater contributions to city finances. And given their flexibility, they can be focused on experiential business models that are highly resistant to online competition, requiring only competent professional planning and organization that should have been the purview of DTSM. Other successful retail venues in the Los Angeles area demonstrate this potential, despite the absence of our beautiful beach at their doorstep.

What are other cities doing?

The importance of having revenue-generating visitor volumes in a city can be gauged by comparing Santa Monica to New York City (NYC). In NYC, the commercial sector is in decline due to the emerging permanent effects of the pandemic-driven work-from-home shifts. The turnaround strategy now being recommended by real estate consulting firm HR&A (of which Santa Monica is a client) is to attract tourists and other visitors, who spend more than residents or office workers. The firm notes that "…the introduction of more residents in Midtown (is not going to be) to be a magic bullet."(c)

Increasing municipal costs compound the impact of revenue loss

But all of the foregoing is only the revenue side of the equation. Replacing commercial with residential replaces direct revenues (e.g., parking structure fees) and indirect revenues (reduced visitors to retail establishments) with mounting infrastructure and services costs, amplifying the detrimental financial impact to the city.

Moreover, the new state under SB9 and SB10 legislation, the city (not the developer) is primarily responsible for all infrastructure upgrades from relevant residential projects. Replacing a mile of sewer or water line in Santa Monica costs $2.1 million.

Services have not been materially expanded in decades. The level of our sworn police force has not been materially increased in over 20 years. Crime in Downtown increased 43% from 2006 to 2019. Misuse of core fire and police resources in homeless management over the years has decreased overall force effectiveness. Only recently have temporarily-funded specialist pilot programs attempted to take the pressure off main services.

Does effective decommercialization make sense for Santa Monica? No, it does not.

While decommercialization may be an option for a location in the Rust Belt, it is entirely inexplicable for a city with significant current visitor volumes and the potential to meet and exceed prior historic levels with focused, professional and invested DTSM leadership.

Santa Monica has painstakingly built its globally-branded visitor destination profile over decades. Effective decommercialization, especially of the premier downtown retail district, is permanently eliminating the low-cost revenue generation opportunities the destination investment created. Visitor-generated tax revenues have been captured with the second-highest sales tax rate in the country among major cities, at 10.25%, which is only exceeded by Tacoma, WA at 10.30%.

Effective decommercialization holds the potential to destabilize city finances.

Analysis-free agenda-driven shifting of property use from commercial to housing will simultaneously reduce revenue generation capacity of an established low-municipal-cost activity and replace it with high-municipal cost residential uses (e.g., fire, police, water, sewer). These factors amplify the upward pressure on the direct taxation of residents.

If the shift from commercial to residential is allowed to occur without an understanding the implications, the already high cost of living in this city will escalate for all. And, if the residents decline, at some future date, to shoulder the inevitable requested tax increases, the cuts in services will grow deeper, accelerating the quality of life spiral we are currently facing.

Next week, we will explore the specific issues surrounding the proposed ballot proposition.

By Marc L. Verville for SMa.r.t. (Santa Monica Architects for a Responsible Tomorrow).

Thane Roberts, Architect, Robert H. Taylor AIA; Ron Goldman FAIA, Architect; Dan Jansenson, Architect, Building and Fire-Life Safety Commission; Samuel Tolkin Architect; Mario Fonda-Bonardi, AIA, Planning Commissioner; Marc L. Verville M.B.A., CPA (inactive); Michael Jolly, AIRCRE

References

(a) **SMa.r.t. Column: Parking, Density and Inequality – Santa Monica Mirror 02-25-2022**

(b) **Impacts of California Proposition 47 on crime in Santa Monica, California**

Institute For the Quantitative Study of Inclusion, Diversity, And Equity, Inc., 03-15-2021

https://osf.io/preprints/socarxiv/mc9wq/download

(c) **"Midtown Manhattan With Fewer Office Workers: Imagining the Unthinkable"**

Wall Street Journal, March 22, 2022

3. https://smmirror.com/2022/04/sma-r-t-column-new-city-financial-plan-the-resident-homeowner-bank-part-ii-who-pays-the-proposed-transfer-tax-and-where-does-the-money-go/

SMa.r.t. Column: New City Financial Plan: The Resident Homeowner Bank

Part II: Who pays the proposed transfer tax and where does the money go?

Last week, we introduced the proposed tax as a key element in the fundamental ongoing restructuring of the city's commercial and residential balance, as well as the long-term implications of this restructuring. We discussed the inexplicable conversion of Downtown into residential when Downtown comprises 4.5% (0.38 sq mi) of Santa Monica's geography and generated 35% of the City's taxable sales as recently as 2015.

It is not a stretch to say that if competent DTSM and City management, in partnership with property and business owners of our commercial Downtown, had fostered growth of between 3% and 5% since 2015, related annual incremental sales taxes of up to 60% of reasonably anticipated revenues under this proposed tax could have been realized by 2027. And, such sales taxes are not easily circumvented as a transfer tax can be, so future tax growth is assured. Intense refocus on Downtown and the Promenade could still deliver the majority of these benefits in the long term, albeit with headwinds caused by the loss of Parking Structure 3.

So, this week, we focus on the proposed transfer tax itself, the rationale, implementation issues and why it's a bad idea for Santa Monica.

Is this tax entirely incremental? No.

Despite the marketing, this tax is not entirely incremental. It will create reductions in the rate of growth of property tax revenues for both the city and school district. How?

The size of this tax will encourage avoidance while the objective is designed to accelerate the rate of affordable housing additions. Both outcomes reduce property taxes.

Does Santa Monica need more tax revenue? No.

Santa Monica is one of the highest taxed cities in the country. It has a spending problem, not a revenue problem. In a survey of 38 California cities, including all cities with populations greater than 200,000, Santa Monica ranked third in total annual revenue per resident at $6,400, behind only San Francisco and Beverly Hills. In a national survey of 120 cities with populations over 200,000, Santa Monica would have ranked sixth in revenue per resident. Santa Monica needs to make much better use of the revenues it receives.

Why a Real Estate Transfer Tax?

The underlying assumption is that those that are selling expensive properties have huge gains and can easily “afford” such a tax. But, for every seller there is a buyer. At the initiative’s $8 million threshold, it will add an immediate $400,000 liability on any sale, regardless of how long the property has been held, even if only for one week.

Are there any exclusions to this tax?

The only exclusion is for sales that result in the properties becoming essentially deed restricted affordable housing. Churches and other non-profits would be subject to the tax. These excluded sales will essentially remove the properties from the property tax rolls.

Who will pay this tax? Primarily single-family homeowners.

Residents will disproportionately shoulder the tax burden, for two reasons. First, in Santa Monica there is a far higher turnover of qualifying single-family residential real estate in any given year than there is commercial.

By one estimate, there were 45 qualifying transactions in the last 12 months of which residential sales accounted for around 79% of the total real estate sales value. Of that total, there were 34 single family residence sales accounting for around 78% of the residential sales value while five apartment house transactions of 5+ units represented about 21%.

Second, ownership of commercial and multi-family properties is likely easier to structure as a partnership or a corporation to reduce the chance that it will be subject to this tax since share transfers could be structured over time that would not trigger the recording of an ownership change. That said, as a potential indicator of single

family residential ownership structure flexibility, a recent Washington Post analysis noted that 24% of 2021 recorded ownership transfers in the 90402 ZIP code were not to individuals.(a)

How significant, and damaging, are the loopholes to avoid this tax?

The higher a tax is, the more incentive there is to avoid it. Avoiding this tax means transfers would not be viewed as a sale. The harm associated with this avoidance is greatly amplified since it would also automatically avoid property tax reassessment.

This initiative keeps in place key loopholes to escape this tax and explicitly acknowledges one of the most common, ownership by partnership. Partnerships allow interests to be transferred tax free if they meet IRS guidelines. Other examples include using a corporate structure to transfer control of properties with stock sales. This is best illustrated by the infamous 2006 Dell acquisition of the Miramar which was never recorded as a sale and no property tax reassessment occurred.

Other strategies include subdividing property where the parts are less than the whole, very long-term ground or other leases such as was proposed for the abandoned Plaza deal and delaying collection indefinitely by triggering the payment of tax based on recording deeds.

What, exactly, is the justification being provided?

The draft initiative's narrative frames high property values in the city as being a consequence of the "ongoing quality of the community and taxpayer funded services in Santa Monica, including public educational programs." Reality is completely unrelated to this narrative.

Is Santa Monica real estate value appreciation unique? No.
Appreciation of real estate values in this city is part of the increasing regional unaffordability. It is the result of regional economic and investment forces impacting all Southern California cities and coastal areas more specifically.

Do real estate values reflect a community of increased services and safety? No.
Home values in Santa Monica have benefitted from these regional trends despite continuing cutbacks in resident-funded services, continuously elevated crime levels and the daily impacts of failed homeless policies.

Are public schools a key driver? No.
School district enrollment, of which approximately 20% is out-of-district permitted students, has been steadily declining. The district projects further declines of 18% to 24% from 2020 to 2030.

So, what about the idea of "Homelessness Prevention"?

This is a talking point on "prevention." It does not address the chronically failed homeless policies. It is defined as "ongoing or emergency income assistance to Santa Monica households that are both rent burdened and either Extremely Low-Income Households, Very Low-Income Households or Low-Income Households."

There are no criteria for "ongoing" or "emergency" and no delineation of funding for either. All of that is left to a new politically appointed commission. So, the more "ongoing" there are, the fewer "emergency" resources there would be.

Applicability is opaque since the definitions of the income categories are flexible depending on the geographic reference point (SM, LA County, LA City, etc.). Today, the city of Santa Monica lists an individual income of up to $94,700 as eligible for a below-market-rate unit.

The actual risk to Santa Monica residents of becoming homeless has never been either directly researched or documented by the City. Instead, the City has relied upon high-level, federally sourced extrapolations of sample data with potentially high margins of error.

The annual homeless count data also has no reference relevance. The count is neither statistically valid nor does it allow the collection of demographic information. Thus, the city has no documented idea if any of those homeless are formerly housed Santa Monica residents. Anecdotal information from service providers indicates that there are likely no formerly housed Santa Monica residents among the City's homeless population.

If such a significant tax is to be levied on residents for a stated purpose, we should expect to see an actual, robust, and methodologically valid analysis of actual city needs PRIOR TO proposing such a tax as well as plans for mandatory systemic ongoing analysis to assess effectiveness. None of that is present in this proposal.

While a transparent and objective process for the awarding and administering of any such funds is critical and mandatory, it has been disregarded in favor of a future political process.

Finally, the structure of the tax is unsuited to an ongoing benefits program. With funding based on market-driven qualifying annual transactions combined with the measure's incentive to reduce those qualifying sales transactions, funding variability could result in reductions of committed assistance in years of reduced tax receipts.

What About Affordable Housing?

It would be very hard to find another city with such historically focused priorities on housing. Under the historically balanced commercial / residential city revenue mix, the city has been able to dedicate $1.4 billion on housing and community development (HCD) since 2004. The city spend on HCD has averaged about $60 million per year over the past 6 years, excluding 2021. In 2021, the amount was $40 million.

This record has provided our mayor, on multiple occasions, with the confidence to verbally challenge California's HCD proposed enforcement with the point that no city has done more than Santa Monica for affordable housing.

That said, there has been no local, systematic and valid needs analysis by the City, or the state, to determine how much affordable housing is actually appropriate for Santa Monica as the issue is regional in origin. A March 2022 state audit report(b) of the state's high-level model driven Regional Housing Needs Assessment (RHNA) program that assigned the 6,158 affordable housing unit mandate to Santa Monica has been found to have used unverified data, was judged deficient in adequately considering key factors required for housing needs assessments, and was insufficiently reviewed.

What about the "additional" funding for schools?

The tax will not be entirely incremental to the schools despite the language in the measure since it could result in significant reductions to property tax growth from two factors. First, a key objective of this tax initiative is accelerated additions to the affordable housing stock which eliminates those properties from the tax rolls. Second, the size of the tax will incentivize legal avoidance, reducing reassessments.

Property taxes represent about 81% of net District unrestricted general fund revenue. The proposed annual $10 million allocation from this tax represents a ~10% supplement to the existing property tax receipts which will likely function as a buffer for anticipated future declines in growth.

Even at current levels of funding, the school district does not lack revenue. One of the premiere global ratings agencies in the world, Standard and Poors, noted in a 2019 bond credit review that the SMMUSD had "…supplemental revenue, which is unusual in the state…. These sources generated a combined 25.6% of general fund revenue in fiscal 2018."

So, despite being one of the best-funded districts in the state, the district cannot manage its spending.

Are there spending controls proposed for the non-school district funds? No.

The actual criteria, controls and administration of the funds are being left to a future 11- member politically appointed "Resident Oversight Committee." So, we won't know

until well after the proposed ballot measure has passed whether or not the residents will have a say.

And, while annual audits of the spend of the housing-related funds and expenditures will be performed, they will only certify that the funds were spent on the intended purpose. They will not comment on how equitably they were allocated or on the efficiencies or effectiveness of the spends.

Should Santa Monica Residents support the highest real estate transfer tax in the state? No.

• The transfer tax strategy represents a discriminatory and highly significant tax on a small subset of residents

• Incentivizes increased use tax-avoidance (and initiative-approved) loopholes that avoid recording transfers as sales, which also exempts them from property tax reassessments, impacting a key school and city funding source

• Has no sunset provision and no defined targeted outcomes

• Disincentivizes the City from pursuing larger federal, regional and state funding solutions for affordable housing and housing assistance

• Continues the implementation of a negligent decommercialization strategy:

1. Disables the balanced fiscal model that has served the city for generations and that has reliably delivered $60 million per year in HCD resourcing.
2. Incentivizes replacement of low-city cost commercial with residential, exacerbating the growing imbalance between revenue generation and city costs
3. Reduces spare organic growth in tax capacity to fund growing future infrastructure and service fees to support the Council-enabled uncontrolled development across the entire city; incentivizes further direct taxation of single-family residents

• Ignores the need to fix the city's homeless and crime issues

• Compounds the City's disastrous acceptance of state housing quotas that have no funding for infrastructure or services

• Disincentivizes the City from right-sizing and streamlining its operations to unlock and redirect existing tax revenues that could fund the amounts envisioned by this tax.

The adverse unintended consequences of such a poorly conceived initiative will far outweigh not only its objectives but carry the potential for additional substantial harm to our already poorly managed city.

Santa Monica does not deserve such a divisive, discriminatory, and permanently destabilizing policy initiative.

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