



City Council Meeting
02-09-26
**Item
7.B.**

Council Agenda Report

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

Prepared by: Christopher Smith, Assistant City Manager

Approved by: Rob DuBoux, Interim City Manager

Date prepared: February 4, 2026 Meeting date: February 23, 2026

Subject: Consideration of Supporting a Rebuild Sales Tax Suspension

RECOMMENDED ACTION: 1) Review and discuss a proposal for a suspension of rebuild sales tax and; 2) Provide direction to staff on supporting suspending sales taxes for rebuild purchases.

FISCAL IMPACT: There is no immediate fiscal impact to the City for the support of a sales tax suspension on rebuild purchases at the State level. Should the sales tax be suspended, it would impact sales and use tax revenues in future years.

STRATEGIC PRIORITY: This item is not part of the day-to-day operations identified in the Adopted FY 2025-26 but is requested due to the City's critical fiscal needs.

DISCUSSION: At the December 8, 2026, City Council meeting, the Council directed staff to assess the impacts of a proposal from the Malibu Rebuild Task Force to suspend the sales tax on "rebuilding material and essential replacement items such as furniture, applicants, and landscaping." A copy of the letter to the governor is attached.

To respond to this request, staff engaged with its tax advisers, HdL Companies (HdL), to determine how to assess these impacts, but a specific analysis is difficult to calculate because of the number of variables at play.

This report discusses the current health of the City's sales and use tax revenues and some of those variables, making it difficult to assess the impacts of a sales tax suspension on local revenues. The impact on City revenues is an important consideration but must be balanced with the urgent need and long-term benefit of

supporting the community in rebuilding and returning to their homes. The City has, for example, waived permit and plan check fees for the rebuilding of like-for-like homes.

City Sales Tax Revenues

While sales tax is charged as a lump percentage on sales, it is broken out and distributed to various government agencies. The City receives sales tax in three different ways:

- 1.0% of base sales tax is distributed to the local governing body
- The City also receives a pro-rated portion of Los Angeles County sales tax based on Malibu's portion of sales compared with the county (typically 0.2-0.3%% of the overall pool of funds)
- Voters approved Measure MC in 2022, adding 0.5% Transaction and Use Tax to the local sales tax which comes directly to Malibu.

The Franklin and Palisades fires and subsequent closure of the Pacific Coast Highway have had significant impacts on the City's revenues, especially its' sales and use tax revenues. Immediately following the fires, the City asked HdL to do a preliminary impact assessment on key City revenues, including sales tax (attachment 2). These revenue reductions were built into the City budget, which currently relies on reserves to help cover the operating deficit while the City focuses on vital rebuild and recovery efforts.

FY 2024-25 sales tax revenues came in \$1.29 million below FY 2023-24 sales tax revenues. HdL continues to anticipate that the City's sales taxes will remain below FY 2023-24 levels through FY 2026-27. And while sales taxes have begun to slowly recover, there are indications the recovery may take longer than originally expected.

To support Malibu's recovery and sustain City services, the City has experienced a sizable impact to its' General Fund reserves, which were at \$83 million at the end of FY 2024-25 but are estimated to be at \$50.9 million at the end of FY 2025-26. Any additional reduction in tax revenues would further delay the City's ability to recover its reserves to ensure Malibu can recover from the next fire, earthquake, or other disaster.

Considerations on Suspending Sales Tax

HdL identified several considerations making it difficult to estimate the impacts of a sales tax suspension on rebuild purchases on Malibu's revenues, including:

- Location of sales – The majority of California sales tax is collected at point of sale and administered and apportioned by the State. Online sales and a handful of other transactions are based on delivery address. It is difficult to estimate both how many purchases for rebuilding would be made at local Malibu businesses and/or what ratio will be online, where tax is based on

delivery address.

- Separating rebuild from everyday purchases – Rebuild purchases could include a wide range of items from construction materials to furniture to appliances and housewares. Practically speaking, it would be difficult to separate these purchases from many everyday purchases without significant guidance from the State.
- Fires impacted multiple jurisdictions – A complete sales tax suspension would have to be authorized by the State and it is unlikely that a suspension of the sales tax would be granted exclusively to Malibu without taking other jurisdictions into consideration. If the State were to grant a tax suspension to all fire victims, the overall impacts of the suspension would be significantly greater and felt across the State, county, and other cities as well as Malibu.

Given these variables, it is difficult to accurately assess the local impact of a sales tax suspension for rebuilding related purchases. It is staff's understanding that the Council has most discretion over the Measure MC portion of local sales tax, which is imposed locally and represents 0.5% of the overall 10.25% sales tax rate. Measure MC sales tax represents \$3.7 million in revenues in FY 2025-26 and, again, it is difficult to determine how to implement a suspension on just rebuild purchases given the reasons listed above. Any waiver of additional portions of the sales tax would require State authorization.

Staff now seek direction from Council on the Malibu Rebuild Task Force sales tax suspension proposal for fire rebuild and related materials.

ATTACHMENTS:

1. Letter to Governor Newsom proposes sales tax suspension for rebuild purchases
2. Economic Impacts Report – Palisades Fire by HdL Companies (April 2025)

City of Malibu

Economic Impact Report – Palisades Fire April 2025



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Executive Summary

The Palisades Fire has caused substantial and prolonged economic disruption to the City of Malibu, resulting in total estimated economic losses of approximately **\$40.9 million**. These losses encompass both direct impacts to City revenues and broader indirect effects on the local economy, primarily driven by the displacement of approximately 1,400 residents and the destruction of 62 permitted short-term rental (STR) units.

Direct City Revenue Losses

The City is projected to experience approximately **\$3.8 million** in direct fiscal revenue losses, including:

- **Sales Tax Loss:** \$986,000 for FY 2024–25, reflecting a sharp decline in local purchases by residents and visitors.
- **Prop MC Transactions and Use Tax Loss:** \$426,000 for FY 2024–25.
- **Transient Occupancy Tax (TOT) Loss:** \$1,264,800 annually from the loss of STR lodging capacity.

Although initial estimates included a \$1.12 million loss in property tax revenue, this impact is expected to be fully backfilled under Assembly Bill 100 for fiscal years 2024–25 and 2025–26 and is therefore excluded from the ongoing loss estimates.

Broader Economic Impacts

In addition to direct revenue impacts, the City faces significant broader economic losses tied to reduced household and visitor spending:

- **Household Spending Loss:** \$25.32 million annually, including both direct spending reductions and indirect business effects due to displaced residents.
- **Visitor Spending Loss:** \$11.8 million annually, accounting for both direct visitor expenditures and secondary impacts on local businesses.
- The second half of FY 2024–25 reflects a partial year impact beginning January 2025.
- Full-year impacts are projected to continue through FY 2025–26 and FY 2026–27, with no significant recovery in displaced household spending or STR visitor lodging capacity anticipated during this period.

While some overlap between household and visitor spending losses and sales tax impacts is possible, these estimates conservatively reflect gross losses without deducting overlap amounts.

This analysis highlights the scale of the economic challenge facing Malibu and underscores the need for coordinated recovery strategies, including infrastructure rebuilding, expedited permitting for displaced residents, and reinvestment in Malibu’s tourism sector to restore long-term economic stability.

Estimated Losses by Fiscal Year

The economic impacts are expected to unfold as follows:

Fiscal Year	Estimated Economic Loss
FY 2024–25 (Jan–June 2025)	\$18.9 million
FY 2025–26	\$35.85 million
FY 2026–27	\$35.85 million

Note: The total estimated economic loss of approximately \$40.9 million reflects gross fiscal and economic impacts. Some overlap between reduced household and visitor spending and lost sales tax revenues is possible but has not been deducted from the total. These estimates are intentionally conservative to present the full scope of the fire’s disruption on Malibu’s economy.

Scope of Work Overview

This report presents a comprehensive economic impact assessment of the Palisades Fire on the City of Malibu. The analysis is based on structural damage, displacement of residents, disruption to tourism and local commerce, and loss of tax-generating activities. The scope of work includes:

Property Tax Revenue Loss - An evaluation of assessed improvement value loss across over 650 destroyed or damaged properties, with estimated tax revenue reductions for the City beginning in FY 2025–26.

Retail Sales and Local Spending Decline - An analysis of the reduction in retail activity resulting from the displacement of approximately 1,400 residents, with both direct and indirect (multiplier-based) impacts quantified.

Short-Term Rental and TOT Revenue Loss - A detailed estimate of visitor spending and transient occupancy tax (TOT) revenue lost due to the destruction of 62 permitted short-term rentals, along with secondary impacts on tourism-serving businesses.

Visitor Spending and Tourism Impact Modeling - A projection of tourism disruption during peak and shoulder seasons, including reduced demand, infrastructure access constraints, and lagging visitor confidence.

Future Recovery Potential and Rebuilding Outlook - A modeled roadmap for Malibu's recovery over a 36-month horizon, including tourism recovery benchmarks, community rebuilding timelines, and targeted strategies to accelerate economic stabilization.

This report integrates tables, source citations, and economic modeling to provide city leadership with a fact-based framework for informed decision-making. It also outlines actionable strategic recommendations to support long-term recovery and resilience planning.

Community Overview: City of Malibu

The City of Malibu is a small but economically vibrant coastal community with a population of approximately 12,330 residents. Population projections indicate only modest growth over the next five years, with an estimated increase to 12,343 residents. The community includes a notable group quarters population of 721, which likely reflects students residing in on-campus housing at Pepperdine University — a major local institution that contributes significantly to the city's cultural and economic life.

Malibu is home to roughly 4,859 households, with a slight projected increase to 4,866. The city also maintains a high median household income of \$154,866, reflecting the area's affluence, desirability, and elevated cost of living.

The local economy supports 852 workplace establishments that employ approximately 9,451 individuals. This highlights Malibu's role as both a residential enclave and an employment center, where a mix of small businesses, hospitality services, educational institutions, and tourism-related industries drive local economic activity.

In recent years, Malibu has faced increasing economic pressures tied to the impacts of wildfires, including the Palisades Fire. These events have disrupted housing, displaced residents, and temporarily reduced tourism and business activity — all of which have short- and long-term implications for the city’s economy. As the city works toward recovery and resilience, understanding these economic impacts is essential to shaping future policy and investment.

Demographics	
Population	12,330
5-Year Population estimate	12,343
Population Households	11,609
Group Quarters Population	721
Households	4,859
5-Year Households estimate	4,866
WorkPlace Establishments	852
Workplace Employees	9,451
Median Household Income	\$154,866

Source: INSIGHT Market Analytics

Fiscal Revenue Losses to the City of Malibu (Direct Impact)

Property Tax Revenue Impact

The Palisades Fire damaged or destroyed 531 single-family homes, 55 multi-family properties, 34 partially improved vacant parcels, and 9 commercial parcels.

While the Palisades Fire caused significant structural damage and displacement, the fiscal impact on property tax revenues is expected to be mitigated in the short term. According to HdL’s Property Tax team, the passage and signing of Assembly Bill 100 by the Governor includes an appropriation to backfill property tax revenue losses for affected taxing entities in fiscal years 2024–25 and 2025–26. This action ensures that the City of Malibu will not experience a net loss in property tax revenue during this period, despite physical property damage caused by the fire.

It is worth noting, however, that while the legislative intent is clear, some technical adjustments may be necessary to better align the funding mechanism with actual property tax allocation formulas. Nonetheless, the impact to Malibu’s general fund from property tax during these two fiscal years is assumed to be negligible.

Looking ahead to FY 2026–27, the long-term impact is more difficult to project. The resale of fire-damaged lots—often at reduced market values—could offset assessed value declines initially caused by the fire. Additionally, because the property tax roll for FY 2026–27 is set as of January 1, 2026, and the Assessor typically does not apply partial improvement values to single-family residences, any rebuilding activity is unlikely to influence property tax revenues in that year. Most completed structures will be reassessed after their completion, which for many properties will fall beyond the January 1 deadline.

In summary, no significant property tax losses are expected for FY 2024–25 and 2025–26, and while potential impacts may emerge in FY 2026–27, those are highly speculative at this stage and are not included in the quantitative estimate of losses.

If not for the backfill provided by AB 100, the following would have been the City's original estimate of property tax loss. The Palisades Fire damaged or destroyed 531 single-family homes, 55 multi-family properties, 34 partially improved vacant parcels, and 9 commercial parcels. The improvement value of the damaged properties totals approximately \$1.59 billion, generating \$15.93 million in property tax revenue. Based on the City's share of 7.043796%, the estimated revenue loss — assuming a total loss of improvement value — would have been approximately \$1,122,263. This shortfall was projected to begin in FY 2025–26 and could have offset expected growth for that year. The table below illustrates what the property tax loss would have been without the backfill.

Without AB 100 - Estimated Lost Taxable Improvement Value by Property Type		
Property Type	Lost Improvement Value	Notes
Single-Family Homes	\$1.54 billion	531 homes
Multi-Family Properties	\$27.13 million	55 properties
Vacant Residential	\$8.07 million	34 parcels
Commercial Parcels	\$14.91 million	9 parcels
Unsecured Property	\$1.76 million	Fixtures/equipment
Total Estimated Value Loss	\$1.59 billion	
Total City Property Tax Loss	\$1.12 million	7.043796% City Share

Sales Tax Revenue Loss

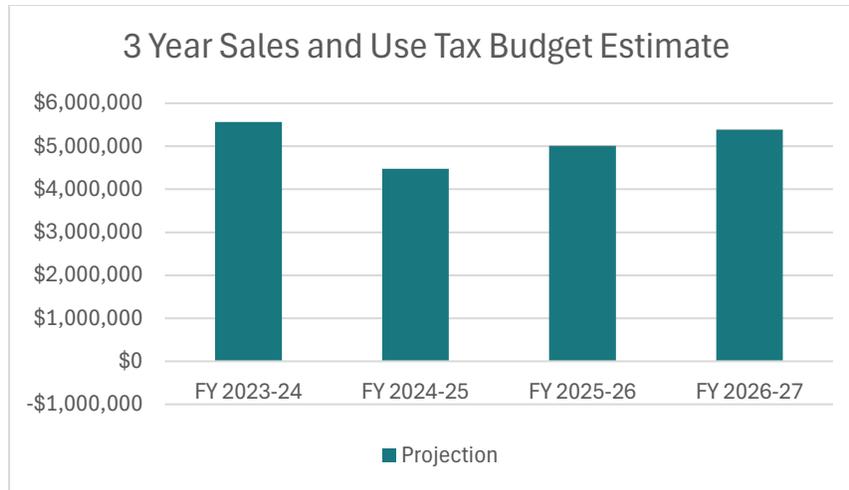
Sales tax revenue in Malibu peaks during the summer months. Over the past four years, the third quarter (July–September) has consistently generated the highest returns, averaging \$5,100,906—approximately 20.33% more than other quarters. This seasonal surge reflects the city’s reliance on tourism-related spending, as visitors contribute heavily to sales in restaurants, gas stations, grocery stores, and retail establishments.

However, the recent Palisades Fire (January 2025), preceded by the Franklin Fire (December 2024), has significantly disrupted this trend. These events led to widespread evacuations, the destruction of more than a thousand structures, and the displacement of approximately 1,406 residents. Major tourist attractions were closed, and local foot traffic plummeted. As a result, businesses—particularly in retail, dining, and fuel services—are expected to experience sharp revenue declines during what is typically the city's most economically robust quarter.

Short-term sales tax impacts from these fires have been incorporated into updated growth factors beginning in Q4 2024. HdL utilized geographic (GEO) area reports to exclude revenue from permanently lost businesses, with a notable focus on the Revenue-Holding (RH) category. Forecasted declines in point-of-sale activity for grocery stores, service stations, and restaurants are expected to affect both Bradley-Burns local sales tax and Prop MC revenues similarly. However, variances in losses for auto dealers, building and construction suppliers, business and industry (B&I), and general consumer goods (GCG) categories will differ based on taxpayer composition.

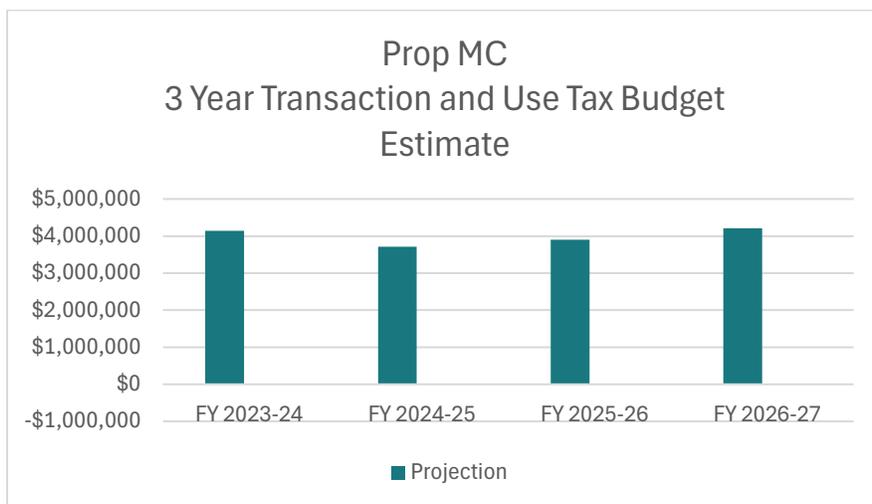
In the fiscal year 2024-25, HdL is projecting a substantial decrease in Sales and Use Tax income compared to the previous fiscal year 2023-24. The actual income for FY 2023-24 amounted to \$5,562,332, whereas the projected income for FY 2024-25 stands at \$4,576,185. This represents a reduction of \$986,147, equating to a 17.8% decrease.

Despite this decline, we anticipate a recovery in the subsequent years. The projected income for FY 2025-26 is \$5,004,285, reflecting an 9.8% increase from FY 2024-25. Furthermore, the projected income for FY 2026-27 is \$5,490,785 indicating a 9.7% increase from FY 2025-26. However, it is important to note that even with these growth rates, the income for both FY 2025-26 and FY 2026-27 will remain below the actual income of FY 2023-24.

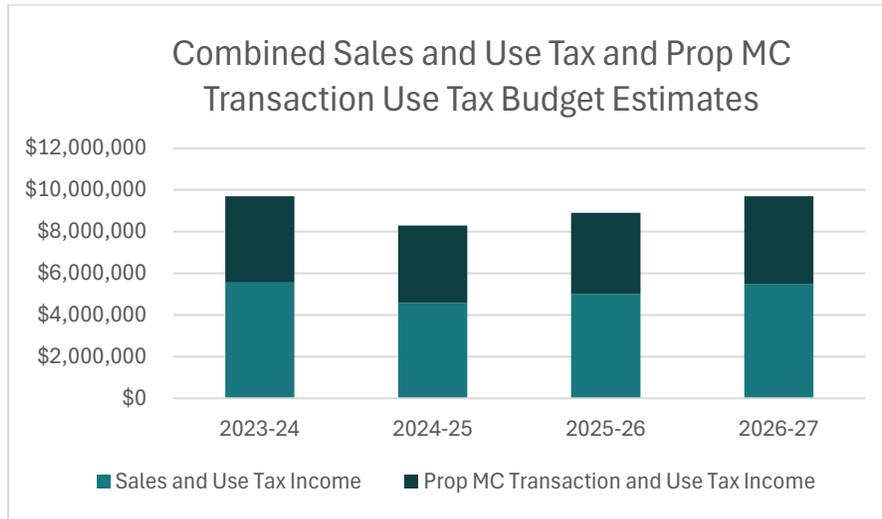


As for the Prop MC Transaction and Use Tax budget estimate the fiscal year 2024-25, HdL is projecting a substantial decrease in income compared to the previous fiscal year 2023-24. The actual income for FY 2023-24 amounted to \$4,141,736, whereas the projected income for FY 2024-25 stands at \$3,716,161. This represents a reduction of \$425,575, equating to a 10.3% decrease.

Despite this decline, we anticipate a recovery in the subsequent years. The projected income for FY 2025-26 is \$3,904,861, reflecting a 5.1% increase from FY 2024-25. Furthermore, the projected income for FY 2026-27 is \$4,210,161, indicating a 7.8% increase from FY 2025-26. However, it is important to note that even with these growth rates, the income for both FY 2025-26 and FY 2026-27 will remain below the actual income of FY 2023-24.



Overall, while the long-term recovery trajectory remains uncertain, HdL anticipates sales tax impacts will extend through at least FY 2025–26.



Fiscal Year	Sales and Use Tax Income	Prop MC Transaction and Use Tax Income	Sales and Use Tax Loss	Prop MC Transaction and Use Tax Loss
2023-24	\$5,562,332	\$4,141,736	-	-
2024-25	\$4,576,185	\$3,716,161	\$986,147	\$425,575
2025-26	\$5,004,285	\$3,904,861	\$558,047	\$236,875
2026-27	\$5,490,785	\$4,210,161	\$71,547	\$68,575

Transient Occupancy Tax (TOT) Revenue Loss

The City of Malibu imposes a 15% Transient Occupancy Tax (TOT) on hotel stays and short-term rental (STR) accommodations. As a result of the fire, 62 permitted STR properties were destroyed. Based on tourism analytics, an average annual STR revenue of \$136,000, the projected TOT revenue loss attributable to these STRs is approximately \$1,264,800 per year, \$632,400 for the current fiscal year.

Assuming no rebuilding or re-activation of STRs in the near term, the City would experience an estimated \$1,264,800 loss in FY 2025–26. Partial recovery is expected to begin in FY 2026–27 as reconstruction progresses. Accounting for a modest 30% return to market by mid-2026, the estimated TOT loss in FY 2026–27 would decrease to approximately \$885,360.

Thus, the combined TOT loss over the current and following two fiscal years is estimated at approximately \$2.78 million, factoring anticipated delays in permitting, construction timelines, and the gradual re-entry of properties into the short-term rental market.

This estimate does not include any potential TOT losses from reduced hotel occupancy or cancellations during the recovery period.

Transient Occupancy Tax Estimates						
Year	2023	2022	2021	2020	2019	2018
	\$9.5 m	\$10.3 m	\$7.9 m	\$5m	\$4.6 m	\$4.7 m

Source: [TravelStats](#)



Estimated Total Loss From Short-term Rental Units		
Fiscal Year	Estimated TOT Loss from STRs	Assumptions
FY 2024–25	\$632,400	Half-year loss (January–June 2025)
FY 2025–26	\$1,264,800	Full-year loss (minimal rebuilding progress)
FY 2026–27	\$885,360	30% of STRs assumed back online
Total	\$2,782,560	

Local Spending Losses from Resident Displacement (Direct + Indirect)

Overview

The displacement of 1,400 residents has led to reduced local economic activity in both taxable and non-taxable categories. This section captures both the direct reduction in household spending and the indirect impacts on local businesses and services.

Using data from the HdL Companies' Consumer Demand & Market Supply Report and economic multipliers from state tourism and retail studies, the analysis considers both direct and indirect impacts on local consumer activity.

Estimated Household Spending Losses

This section outlines the estimated loss in local spending resulting from the displacement of approximately 1,400 residents due to the destruction of homes in the Palisades Fire. The analysis uses data from the HdL Companies' Retail Consumer Demand

& Market Supply Report, which identifies disparities between consumer demand and available supply across major retail categories in Malibu, revealing whether residents are spending locally or leaking their purchases to nearby cities or online retailers.



In Malibu, the Consumer Demand & Market Supply analysis had already revealed significant leakage in key sectors such as grocery stores, apparel, and general merchandise, indicating that many residents were shopping outside city limits. The loss of full-time residents exacerbates this problem. With over 1,400 displaced individuals no longer making day-to-day purchases—such as groceries, fuel, pharmacy items, dining, and personal services—the city's small but critical consumer base has shrunk considerably.

US Bureau of Labor Statistics Consumer Expenditure Survey (CES) estimates that displaced residents would have spent an average of \$12,000 annually per person on local goods and services,

In that CES income bracket, the average annual spending per person on items such as groceries, dining, gasoline, entertainment, apparel, and personal care routinely exceeds \$10,000–\$14,000, depending on location and household size. Adjusting this for Malibu's cost of living and spending tendencies makes \$12,000 a reasonable benchmark for analysis.

This reduction in resident-driven commerce places added strain on already vulnerable local businesses, particularly small grocers, restaurants, gas stations, and service providers that rely on consistent year-round patronage to remain viable in a tourism-driven economy.

In total, the displacement of approximately 1,400 residents is projected to result in an estimated \$25.32 million in combined direct and indirect household spending loss on an annual basis. For the second half of FY 2024–25, the estimated loss is approximately \$12.66 million, with full-year losses of \$25.32 million anticipated for both FY 2025–26 and FY 2026–27.

This sustained decline in everyday economic activity represents more than just lost transactions—it threatens the viability of Malibu’s essential local businesses that rely on consistent, year-round community support. Without this resident-driven commerce, small grocers, gas stations, service providers, and independent restaurants face heightened financial vulnerability in an already seasonal, tourism-dependent economy. The prolonged impact on local spending highlights the critical need for targeted recovery efforts to support Malibu’s small business ecosystem and mitigate long-term economic disruption.

Indirect Economic Effects of Residential Displacement

Using a conservative multiplier of 1.5x, the indirect economic ripple effect of displaced resident spending is estimated at approximately \$8.4 million annually. These effects are felt most strongly by local grocery stores, restaurants, service providers, and gas stations that rely on consistent year-round patronage to remain viable in Malibu’s seasonal economy.

Applying this multiplier, which is drawn from Dean Runyan Associates and Visit California modeling standards, the total annual economic impact of displaced resident spending—including both direct household spending losses and indirect business effects—is projected at \$25.32 million per year.

Given the timeline for residential rebuilding and return, the projected economic losses are anticipated to continue through at least FY 2026–27. For the second half of the current fiscal year (January–June 2025), the estimated loss is approximately \$12.66 million, with full-year impacts expected thereafter.

The estimated economic losses assume no significant growth or recovery in displaced resident spending over the next two fiscal years. Given the complexity of Malibu’s residential rebuilding process—including lengthy permitting timelines, high construction costs, and coastal development regulations—full restoration of the affected housing stock is not expected within the 24- to 30-month recovery horizon. As a result, the economic impact associated with displaced residents is anticipated to remain steady

through FY 2025–26 and FY 2026–27, with no material increase in local household spending until substantial rebuilding is completed and residents are able to return.

Annual Retail and Indirect Residential Spending Potential Impact	
Estimated displaced residents:	1,406
Average annual local spending per resident:	\$12,000
Total Annual Direct Spending Loss:	\$16.88m
Multiplier (direct + indirect impacts):	\$8.4m
Estimated Annual Total Economic Impact:	\$25.32m

Annual Residential Direct and Indirect Spending Potential Impact			
Fiscal Year	FY24-25 (Half Year)	FY25-26	FY2627
Estimated Direct Loss	\$8,440,000	\$16,880,000	\$16,880,000
Estimated Indirect Loss	\$4,220,000	\$8,440,000	\$8,440,000
Total Estimated Economic Impact	\$12,660,000	\$25,320,000	\$25,320,000

Tourism Profile and Visitor Spending

Malibu, California, is a premier coastal destination known for its natural beauty, upscale accommodations, and vibrant tourism sector. Visitors are drawn to its 21 miles of scenic coastline, world-class surfing beaches, and relaxed luxury lifestyle. Tourism plays a critical role in Malibu’s economy, directly supporting local businesses, hospitality services, and city revenues through sales and transient occupancy taxes.

Visitor Volume and Seasonal Trends

Malibu experiences its peak tourism season during the summer months, particularly July and August, coinciding with warm weather and school vacations. Fall, especially September and early October, offers favorable weather with fewer crowds, making it an increasingly popular shoulder season for visitors.



Visitor Spending Patterns

According to Airbtics, visitor spending in Malibu varies based on accommodation type and travel style. Airbnb guests spend on average \$3,242 per 4.5-night stay (~\$754 per night). The most common booking party size is 4.3 people. Broader visitor spending estimates in Los Angeles County are:

- Budget travelers: \$110/day
- Mid-range travelers: \$300/day
- Luxury travelers: \$879/day

Short-Term Rental (STR) Visitor Spending Loss

Overview

Short-term rentals (STRs) are a foundational pillar of Malibu's hospitality economy. As of 2020, STRs represented approximately 74% of all overnight accommodations within city limits, significantly exceeding the capacity of Malibu's traditional hotel sector. These properties offer flexible lodging options that attract both mid-range and luxury travelers, often for extended stays and group bookings, which magnifies their local economic impact.



The Palisades Fire destroyed 62 permitted STRs, resulting in an immediate and measurable loss in lodging capacity and associated visitor expenditures. This section quantifies the direct and indirect visitor economic impacts of these lost units using data from Airbtics, the California Coastal Commission, and tourism spending models from Dean Runyan Associates and Visit California.

Estimated Annual Revenue and Visitor Loss

Based on tourism analytics, the typical Short-Term Rental unit in Malibu:

- Earns \$136,000 in annual revenue
- Is booked for approximately 212 nights per year
- Hosts an average group size of 4.3 guests
- Accommodates guests for an average stay of 4.5 nights
- Generates \$3,242 per stay in guest spending (excluding service/cleaning fees)

Applying these figures to the 62 destroyed STRs, we estimate:

Impact on Short Term Rental Revenue	
Metric	Value
Total STRs Lost	62
Estimated Annual Revenue Lost	\$8.43 million
Estimated Stays Lost Annually	~2,601 stays
Estimated Visitors Lost Annually	~11,184 guests

Peak Season (June–August) Impact

Tourism in Malibu is heavily concentrated during the summer months, where the city sees its highest visitor volume. STR occupancy surges during June through August, making this a critical window for local economic activity. Using a seasonal estimate of 25% of annual STR activity occurring in summer, the estimated peak-season impact from the STR losses is as follows:

Peak-season Impact from STR Losses	
Metric	Value
Stays Lost (Peak Season)	~699 stays
Visitors Lost (Peak Season)	~2,796 guests
Direct Visitor Spending Loss	\$2.11 million
Indirect & Induced Impact (1.6x Multiplier)	\$3.37 million

Summary of Estimated Economic Losses

The Palisades Fire has resulted in significant economic disruption to the City of Malibu, with total estimated losses exceeding \$37.1 million. These losses encompass a combination of direct fiscal impacts to city revenues and broader indirect effects on the local economy.

- Property Tax Loss (Direct): Estimated at \$1.12 million, based on damage to over 650 residential and commercial properties.
- Sales Tax Loss (Estimated): The city is projected to lose approximately \$986,000 in sales tax revenue due to the drop in resident and visitor purchases.
- Prop MC Transactions and Use Tax (Estimated): \$426,000
- Transient Occupancy Tax (TOT) Loss: Reduced short-term rental activity is expected to cause a \$1.26 million shortfall in TOT revenue.

Resident Retail Spending Loss (Direct & Indirect): Displacement of approximately 1,400 residents is projected to result in a \$25.32 million reduction in retail and service activity, accounting for both direct spending and multiplier effects.

Short-Term Rental (STR) Visitor Spending Loss: The destruction of 62 permitted STRs has led to an estimated \$8.43 million in direct visitor spending loss, with an additional \$3.37 million in indirect impacts from reduced tourism-related business activity.

Together, these losses represent a substantial setback to Malibu’s tourism-dependent economy. It is important to note that some household and visitor spending losses may overlap with sales tax impacts, as reduced spending naturally results in lower taxable sales. The figures underscore the urgency of targeted recovery strategies, including infrastructure repair, expedited permitting, and tourism reinvestment.

Given that the property tax loss is expected to be fully backfilled under Assembly Bill 100, the remaining economic losses—comprising sales tax, transient occupancy tax, household spending, and visitor spending impacts—are projected to occur at approximately 50% of the annual total for the second half of FY 2024–25, with full-year losses continuing in both FY 2025–26 and FY 2026–27. No significant recovery in displaced household spending or visitor lodging capacity is anticipated during this period.

Summary Economic Losses			
Category	Estimated Loss FY24-25	Estimated Loss FY25-26	Estimated Loss FY26-27
Property Tax Loss (Direct)	AB100 Backfill	AB100 Backfill	Unknown
Retail Sales Tax Loss	\$986,147	\$558,047	\$71,547
Prop MC Transactions and Use Tax Loss	\$425,575	\$236,875	\$68,575
TOT Loss from STRs (Direct)	\$632,400	\$1,264,800	\$885,360
Total City Tax Revenue Losses	\$2,044,122	\$2,059,722	\$1,025,482
Household Spending Loss (Direct)	\$8,400,000	\$16,800,000	\$16,800,000
Household Spending Loss (Indirect)	\$4,200,000	\$8,400,000	\$8,400,000
*Subtotal – Household Spending Impact (1.5x Multiplier)	\$12,600,000	\$25,200,000	\$25,200,000
Visitor Spending Loss (Direct)	\$4,215,000	\$8,430,000	\$8,430,000
Visitor Spending Loss (Indirect)	\$1,685,000	\$3,370,000	\$3,370,000
Total Household and Visitor Spending Impact	\$16,815,000	\$33,630,000	\$33,630,000
TOTAL LOSS (Estimated)	\$18,859,122	\$35,689,722	\$34,655,482

Note: Property tax losses are expected to be fully backfilled under Assembly Bill 100 for FY 2024–25 and FY 2025–26. As a result, the ongoing projected economic losses focus primarily on sales tax, transient occupancy tax, household spending, and visitor spending impacts.

Infrastructure Damage and Economic Ripple Effects

Broader Implications for Tourism and Recovery

The STR losses caused by the Palisades Fire compound other tourism disruptions—including damaged roads, reduced lodging availability, utility outages, and closures of visitor-serving businesses. Even travelers not directly affected by lost STRs may avoid Malibu due to perceived or real limitations in accessibility, safety, and amenities.



These factors amplify the city's fiscal vulnerability, especially given Malibu's reliance on TOT (Transient Occupancy Tax) and visitor-driven sales tax. With a 15% TOT and 0.195% tourism assessment fee, every missed stay represents not only a lost economic opportunity for private operators but also reduced funding for city services, public safety, and tourism-related infrastructure.

The Palisades Fire caused widespread damage to Malibu's critical infrastructure, including water lines, roadways, electrical grids, and communication networks. While some of these systems have been partially restored, utility repairs remain ongoing, and intermittent closures of Pacific Coast Highway (PCH) continue to disrupt both resident mobility and visitor access. The PCH is not only the city's primary traffic artery but also a lifeline for the flow of commerce, tourism, and emergency services.

Governor Newsom's emergency order has helped expedite permitting and environmental clearances for rebuilding, and FEMA-supported cleanup efforts are already underway. However, full infrastructure restoration is expected to take 12 to 24 months, depending on funding approvals, contractor availability, and the prioritization of state and federal resources.

Although the direct monetary loss from infrastructure damage may be difficult to quantify, its economic consequences are significant and widespread. The disruption of utilities and transportation impacts:

- Local businesses, many of which rely on reliable electricity, broadband, and water access to operate, especially restaurants, salons, and retail.

- Visitor confidence, as tourists may avoid destinations perceived as unstable, hard to reach, or lacking basic amenities.
- Resident spending patterns since commuting difficulty and supply chain issues may prompt locals to shop outside of Malibu or delay discretionary purchases.
- Reconstruction timelines, as construction crews face delays and added costs tied to utility outages, damaged access roads, and material delivery challenges.

Furthermore, prolonged infrastructure outages can undermine the effectiveness of other recovery efforts, including the reopening of short-term rentals, hospitality services, and essential city functions.

While these effects may not always result in immediate, line-item fiscal losses, they pose a strategic economic risk that warrants attention in recovery planning. The ability of Malibu to accelerate infrastructure stabilization will be a key determinant of how quickly the local economy rebounds from the fire.

Strategic Recommendations for City Leadership – Malibu Fire Recovery

To support Malibu’s long-term economic recovery and minimize the fiscal impact of the Palisades Fire, city leadership should implement a multifaceted strategy focused on accelerating rebuilding, restoring economic activity, and rebuilding visitor confidence. The following recommendations are based on best practices from other fire-impacted communities in California and insights from the state’s tourism and emergency management agencies.

Fast-Track Permits for STR Rebuilds and Small Business Repairs

- Expedite plan checks and building permits for damaged or destroyed STR properties, prioritizing those that generate TOT revenue.
- Implement pre-approved architectural templates and over-the-counter permit processes for small business and residential rebuilds.
- Waive or defer select fees for fire-impacted property owners to reduce financial barriers.
- Establish a dedicated Fire Rebuild Coordinator to assist applicants and streamline approvals.

Coordinate with FEMA, Cal OES, and Insurers to Expedite Infrastructure Funding

- Engage with FEMA and Cal OES to prioritize Malibu’s utility, road, and broadband restoration projects.
- Submit comprehensive damage assessments to qualify for full federal reimbursement.
- Monitor insurance payout timelines and coordinate with policyholders.
- Designate a city liaison to manage inter-agency coordination.

Develop a Phased Tourism Relaunch Campaign Targeting High-Value Travelers

- Launch a marketing initiative timed to match reopening milestones.
- Target luxury travelers, wellness tourists, and remote professionals.
- Partner with Visit California, chambers, and travel influencers.
- Emphasize responsible tourism and support for local recovery.

Provide Small Grants or Bridge Loans to Reopen Visitor-Serving Businesses

- Establish a recovery fund using city, federal, or private funding sources.
- Offer micro-grants or no-interest loans up to \$25,000 for small businesses.
- Prioritize businesses with local hires and tourist-facing services.
- Collaborate with the SBDC and regional banks to manage funding distribution.

Establish a ‘Visit Malibu Strong’ Brand Identity for Post-Recovery Marketing

- Create a unified brand campaign that promotes resilience and safe travel.
- Highlight local recovery stories and reopened businesses.
- Use social media, city websites, business signage, and billboards.
- Coordinate with local businesses and tourism partners to scale messaging.

The City of Malibu is well-positioned to rebuild and rebound—but that recovery will depend on clear leadership, targeted investments, and a strong message to residents and visitors that Malibu remains open, resilient, and ready for renewal.

Sources

[US Bureau of Labor Statistics](#)

[Airtbtics – Tourism & STR Analytics for Malibu](#)

[Dean Runyan Associates – California Travel Impacts Report](#)

[Visit California – Tourism Economics & Industry Research](#)

[Budget Your Trip – Los Angeles Travel Spending Estimates](#)

[California Coastal Commission – STR Reports](#)

[City of Malibu – April 2021 Staff Report](#)

The Surfrider Malibu – TOT Reference (FAQs)
<https://www.thesurfridermalibu.com/faq>



Dear Governor Newsom,

We are writing on behalf of Malibu residents who lost their homes in the devastating January wildfires. As we undertake the long and complex process of rebuilding, we face significant challenges; including the extraordinary cost of construction driven by inflation and supply chain pressures. These burdens are compounded by the fact that nearly all affected homeowners were underinsured under CFP, leaving families with severe funding gaps that threaten their ability to rebuild.

We are deeply grateful for the State’s leadership in streamlining permitting and supporting wildfire recovery. However, one critical form of relief remains unaddressed: exempting rebuilding materials and essential replacement items such as furniture, appliances, and landscaping from sales tax. These revenues were never contemplated in the State’s budget forecast, as they arise solely from an involuntary, catastrophic event. Temporarily suspending the 10.25% sales tax on verified rebuild and replacement purchases would save families tens of thousands of dollars and materially reduce the financial strain of recovery. Simply put, the unavoidable costs borne by fire victims should not become a windfall tax benefit to state or local governments.

We respectfully urge your office to temporarily suspend and refund sales and use taxes on materials and goods purchased for verified post disaster reconstruction, repair, and replacement within state declared wildfire disaster zones. This relief could follow existing precedents under California Revenue and Taxation Code sections 6353 and 6377.1 and could be administered by the California Department of Tax and Fee Administration (CDTFA) using already verified rebuild permits issued by local jurisdictions.

This proposal would:

- Provide direct and immediate financial relief to wildfire survivors
- Meaningfully accelerate rebuilding timelines and overall community recovery
- Align with the intent of your prior executive orders easing regulatory burdens for fire victims
- Have minimal fiscal impact relative to the substantial economic activity generated through reconstruction spending

Our request is not for special treatment; it is for fairness. Fire survivors have already lost their homes, their belongings, and for many, their financial safety nets. Suspending sales tax would be a modest but profoundly meaningful act of compassion and leadership; one that signals that the State stands with families working to rebuild their homes, their neighborhoods, and their lives. A defined window of three years for eligible purchases would further support timely recovery, while helping restore the community in advance of the 2028 Olympic Games.

We welcome the opportunity to work with your staff, CDTFA, and Cal OES to design a practical and transparent implementation framework.

Thank you for your continued commitment to wildfire recovery and resilience.

Respectfully,
Terry Davis, on behalf of
The Malibu Rebuild Task Force