

MINUTES
MALIBU ADMINISTRATION & FINANCE SUBCOMMITTEE
SPECIAL MEETING
OCTOBER 3, 2019
MULTIPURPOSE ROOM
1:00 P.M.

CALL TO ORDER

Councilmember Peak called the meeting to order at 1:10 p.m.

ROLL CALL

The following persons were recorded in attendance:

PRESENT: Councilmember Rick Mullen and Councilmember Skylar Peak

ALSO PRESENT: City Manager Reva Feldman; Assistant City Manager Lisa Soghor; Assistant to the City Manager Elizabeth Shavelson; Acting Finance Manager Renée Neermann; Public Works Director Rob DuBoux; and Executive Assistant Mary Linden

APPROVAL OF AGENDA

MOTION Councilmember Mullen moved and Councilmember Peak seconded a motion to approve the agenda. The motion carried unanimously.

REPORT ON POSTING OF AGENDA

Executive Assistant Linden reported that the agenda for the meeting was properly posted on September 26, 2019.

DISCUSSION ITEMS

1. Approval of Minutes – June 10, 2019
Recommended action: Approve the minutes for the Administration and Finance Subcommittee Special meeting of June 10, 2019.

MOTION Councilmember Mullen moved and Councilmember Peak seconded a motion to approve the minutes for the Administration and Finance Subcommittee Special meeting of June 10, 2019. The motion carried unanimously.

2. Financial Analysis on the Implications and Potential Impacts of a Ban on Short-Term Rentals
Recommended Action: 1) Receive financial analysis on the implications and potential impacts of a ban on short-term rentals; and 2) Provide a recommendation to the City Council.

Councilmember Peak advised the audience that the discussion today was strictly related to the financial implications of not allowing short-term rentals (STR).

Councilmember Mullen stated the STR ordinance would be presented to the City Council on October 28, 2019. He stated no decisions today would be made related to the details of the ordinance.

Assistant to the City Manager Shavelson presented the report. She stated Raftelis would present a 10-year forecast. She reiterated the financial analysis would help inform a larger discussion of the ordinance by the Council. She introduced Sanjay Gaur, Raftelis Vice President.

Mr. Gaur introduced Townsend Collins, Raftelis Senior Consultant, and Jim Armstrong, Raftelis Principal Consultant. Mr. Collins offered a presentation on the financial analysis that was done. He commended City staff and the City Council on starting from a very strong financial position. He discussed impacts of the Woolsey Fire on the City's finances. He stated the financial analysis evaluated the fiscal impact of STR over the next 10 years. He stated the unreimbursed Woolsey Fire costs were projected at \$13.4 million from Fiscal Year 2018-2019 to Fiscal Year 2024-2025, but the City's strong fund balance prior to the fire would allow it to withstand the costs of the disaster. He explained how property tax values were compared with a three-year recovery from the fire versus a 10-year recovery.

Mr. Collins explained the analysis included the current STR transient occupancy tax (TOT) revenues with increases based on the Consumer Price Index (CPI). He stated they also considered both a partial ban on STR, resulting in a 50% reduction in TOT, and a full ban on STR, which would result in a 100% reduction of TOT revenues. He stated the total revenue through Fiscal Year 2029-2030 was \$27.5 million. He stated a partial ban would result in a loss of \$13.8 million while a full ban would result in a loss of \$27.5 million. He explained the impacts of an STR ban on the Council's fund balance goals.

In response to Steve Uhring, Councilmember Peak stated the presentation was a draft.

Councilmember Mullen stated the Subcommittee would determine what additional information was needed before it was presented to the Council on October 28.

Patricia Hill was not present at the time of the hearing.

Terry Lucoff stated the financial impact study was grossly incomplete because City funds presented did not factor in the impact on school district funding. He stated many people whose homes burned could not afford to live in Malibu due to high rents.

Sue Peck thanked the Subcommittee and all those who worked on the report. She stated the City should consider the loss of revenues. She stated she hoped the response would be to retain those revenues by charging owners for enforcement.

Joanne Gary expressed frustration with corporations that were allowed to buy homes strictly for use as STR. She discussed horrible events at the rental next door to her home. She discussed Council Policy No. 15 that stated general welfare of the community should be considered over special interests.

Rosemary Sampson deferred her time to Bill Sampson.

Bill Sampson discussed the economic impacts of the 1978 fire. He stated there is an STR ban under current zoning. He stated significant events like the Woolsey Fire would continue to happen. He stated STR in his neighborhood created expenses for all.

Martha Fling stated she and her neighbors rent out their properties and are very cognizant of impacts on their neighborhoods. She discussed how renters spend money in the community that she does not spend. She stated the City cannot replenish its funds after a major disaster.

Gary Zethraeus discussed TOT taxes and business taxes. He discussed STR revenues in Oxnard and impacts on businesses and business taxes. He stated regulations can be established to prevent party houses. He stated his renters spend far more at local businesses than he does.

Antoinette Berget stated her heart goes out to those who lost their homes and those who endure the results of bad STR. She discussed positive experiences she had when renting her own property. She stated regulations can be made.

Nancy Schapiro discussed problems with her neighbor's rentals. She suggested STR hosts talk to their neighbors. She stated her family did not move to Malibu to live next to a hotel. She stated the City is destroying neighborhoods for money. She discussed her family's need to move around after the Woolsey Fire due to high rents in Malibu.

Anne Payne expressed concern that the City only considered revenue in this decision. She stated the Woolsey Fire changed history in Malibu. She stated STR renters did not support schools or some local businesses. She asked if Malibu was being rezoned from residential to commercial.

Lloyd Ahern stated the City needs a defined budget on compliance. He stated the Sheriff's Department, Code Enforcement and volunteers were not able to enforce STR. He stated money must be dedicated to enforcement.

Lucile Keller, Malibu Township Council, stated the problem is the report. She stated the City ignored that the General Plan bans STR. She stated hotels can only exist in CV-1 and CV-2 zones. She discussed differences between short-term and long-term rentals. She stated short-term was transient use and long-term was residential use.

Beatrix Zilinskas agreed with Mr. Lucoff and Mrs. Keller. She stated she was empathetic to neighbors who rented their homes due to economic need. She stated the report was too simplistic. She stated the analysis was a waste of money. She stated more attention should be made to how to make ends meet without TOT.

At 2:13 p.m., the meeting was recessed. The meeting reconvened at 2:15 p.m. with both Subcommittee members present.

Kraig Hill stated the model ignored externalities. He stated the loss of community from STR reduces property values. He discussed the Santa Monica and Laguna Beach ordinances. He stated the loss of TOT would last only a few years until hotels currently in the planning stages were opened.

Louis Spirito asked about the percentage in the current budget that comes from STR. He asked what the cost for services would be if STR increased. He discussed the cost of impacts of STR on neighbors who are kept up all night. He stated he preferred members of the community over STR renters.

Jeff Follert thanked Raftelis for the study. He stated the Woolsey Fire was not the last fire Malibu would have. He stated the model did not take into account another disaster. He questioned if there were alternative sources of revenue to bring the City out of the Woolsey Fire instead of depending on TOT from STR.

Scott Dittrich asked if the study considered that half of the homes lost in the fire would not be rebuilt at like-for-like. He stated what STR renters spent locally was balanced by the community. He stated the City has not addressed suffering from bad renters endured by residents.

Bruce Silverstein stated it was not possible to credibly forecast 10 years. He stated financial modelers do forecasts based on what the City provides. He stated there was no analysis of negatives impact of allowing STR or positive impacts of banning STR. He stated financial analysis was the wrong focus. He stated it was inconsistent with the General Plan and the City's Vision and Mission Statements.

Sam Hall Kaplan stated quality of life affects revenue. He stated the budget was a farce. He suggested eliminating the City Manager position and its staff. He stated the City needs oversight.

Lynn Norton stated this was not just about money but also about safety and enjoyment in neighborhoods. She stated she did not see a difference between an STR and a hotel. She stated homeowners associations could prevent STR in their neighborhoods.

Norm Haynie commended City staff. He stated funds for Planning salaries should come from developers. He stated commercial should only be in commercial zoning. He stated the study did not include developer fees for commercial development.

Councilmember Mullen thanked the City Manager and staff for putting the City in such a strong financial position. He suggested City staff brainstorm on other options that could be added or eliminated to increase revenue in the event of a ban on STR.

City Manager Feldman thanked the speakers. She said this was the first step of the Council's task regarding STR. She stated the model could be used as a tool and could be manipulated by the City with different scenarios.

Councilmember Mullen discussed the diminishing fund balance over time displayed on page 12 of the presentation. City Manager Feldman stated the Fund Balance Goal presented was a worst case scenario with regard to costs from the Woolsey Fire and potential storms. She stated some Capital Projects funded by the General Fund had been put on hold this year to reduce expenses.

Councilmember Mullen suggested the City Attorney consider enforceability of the STR within the General Plan. He stated the City Attorney would issue a legal opinion on an STR ban.

City Manager Feldman stated the model took into account that this year the City anticipated spending \$3 million on consultants for the Woolsey Fire rebuild process which are unreimbursed costs. The model took that into account for several years.

Councilmember Mullen discussed the delay in considering the STR ban. He stated the analysis was grounded in fact. He thanked Raftelis for the detail in the report.

Councilmember Peak thanked everyone for coming. He recommended the three graphs displayed on page 18 of the presentation be combined as one. He expressed frustration with how reliant the City had become on TOT. He stated he appreciated concerns expressed by speakers. He stated it was awkward how STR fit into residential neighborhoods. He stated many long-term rentals had been replaced by

STR. He stated it was hard to put a dollar figure on the impacts of STR on neighborhoods and property values.

In response to Councilmember Peak, City Manager Feldman stated it was difficult to calculate the difference between revenue generated by STR rentals versus revenues produced by a resident.

Patt Healy asked about recovery from the lawsuit. Councilmember Peak stated the information was not yet available.

MOTION Councilmember Mullen moved to include in the presentation to Council potential expenditure reductions that could offset loss of revenue from a partial ban or a full ban on short-term rentals.

AMENDMENT

Councilmember Peak moved to amend the motion to include consideration of a 25% ban.

The maker accepted the amendment.

Councilmember Peak seconded the motion. The amended motion carried unanimously.

Kraig Hill suggested using the Santa Monica ordinance.

Ms. Gary stated a realtor advised her she could not rent her home to a Woolsey Fire victim because there was an STR next door to her home.

3. Portable Generators for Temporary Power to Traffic Signals on PCH
Recommended Action: Provide a recommendation to the City Council to consider appropriating \$25,000 from the General Fund Undesignated Reserve for the purchase of portable generators and equipment to supply temporary power to the traffic signals on Pacific Coast Highway (PCH).

Public Works Director DuBoux presented the report. He stated the generators being considered would be operational up to 18 hours.

In response to Councilmember Mullen, Public Works Director DuBoux stated the City has 20-22 signals with the majority located in eastern Malibu. He stated the proposal was to purchase 10 generators. In response to Councilmember Mullen, Public Works Director DuBoux confirmed the generators were portable and would be deployed in the event of a Public Safety Power Shutoff (PSPS).

City Manager Feldman stated the cost included protective caging and a trailer for deployment.

Councilmember Peak asked if ion battery or solar-powered generators could be considered. He requested explanation of how deployment would be managed during a PSPS.

City Manager Feldman stated this was not a perfect solution but would be extremely helpful in the event of a PSPS or another major fire.

Councilmember Peak stated Caltrans should be responsible for deploying the generators rather than City staff. City Manager Feldman stated the City wanted to be prepared for when it was alerted of a potential PSPS.

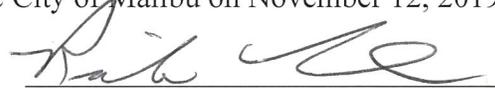
MOTION Councilmember Mullen moved and Councilmember Peak seconded a motion to recommend that the City Council appropriate \$25,000 from the General Fund Undesignated Reserve for the purchase of portable generators and equipment to supply temporary power to the traffic signals on Pacific Coast Highway (PCH). The motion carried unanimously.

Councilmember Mullen commended staff for finding an intermediate, partial solution to a potentially critical problem.

ADJOURNMENT

MOTION At 3:02 p.m., Councilmember Peak moved and Councilmember Mullen seconded a motion to adjourn the meeting. The motion carried unanimously.

Approved and adopted by the Administration and Finance Subcommittee of the City of Malibu on November 12, 2019.


RICK MULLEN, Councilmember

ATTEST:

MARY LINDEN, Executive Assistant