APARTMENT ASSOCIATION OF GREATER LOS ANGELES

AAGLA

"Great Apartments Start Here!"

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July 31, 2026
Via Electronic Mail

Mayor Joe Franklin
and the Members of the Manhattan Beach City Council
Council Chambers
1400 Highland Avenue
Manhattan Beach, California 90266

Re: Gross Receipts Business License Tax – Agenda Item 10

Dear Mayor Franklin and Members of the Manhattan Beach City Council:

The Apartment Association of Greater Los Angeles (AAGLA) represents rental housing providers throughout Greater Los Angeles, including many in Manhattan Beach. More than 80% of our members are mom-and-pop owners with 20 or fewer units. We strongly oppose the resolution to change the existing flat fee for business licenses to a gross receipts tax as it will drive out of business many mom-and-pop multifamily property owners providing needed affordable housing in Manhattan Beach as well as many other small businesses with high costs that are not reflected in gross receipts.

A ballot measure is not the place for the City Council to be experimenting with a massive overhaul of the existing business license fee system. If this new, extremely high gross receipts tax passes and it drives out small business, the Council will be unable to correct it quickly. Instead, the City will have to suffer the consequences of losing businesses for years until another ballot measure is passed by voters. This ballot measure is simply too risky for the Council to put on the November ballot.

In all 88 cities within Los Angeles County, **only 7 cities have a gross receipts business tax and MORE THAN HALF of those cities specifically EXCLUDE residential rental housing**. Of the remaining three cities, their **rates are less than HALF** of what is being proposed in this resolution – Beverly Hills = $1.20 per $1,000, L.A. City = $1.20 per $1,000, and Santa Monica = $1.25 per $1,000. **Staff provided NO DATA as to why $2.80 is appropriate for Manhattan Beach nor any comparative analysis with these cities nor any analysis as to why 85 out of 88 (96%) cities within Los Angeles County do NOT use gross receipts for businesses license fees/taxes.** NONE of Manhattan Beach's neighboring coastal cities (Redondo Beach, Hermosa Beach, El Segundo, and Rancho Palos Verdes) have a gross receipts tax and many small businesses could relocate to these other nearby cities if pushed out of Manhattan Beach by this exorbitant new tax structure.

The data from the staff claiming that this will reduce fees for rental housing providers is extremely misleading and flat out WRONG. There is no way that $2.80 per $1,000 is HALF the cost of existing $20.00 per unit amount under the current flat fee structure. Under the current flat fee, a 10-unit building would be paying $200 per year at the current rate ($20 X 10 units). Rental rates on average for a one-bedroom unit in a property with 5-10 units are $2,278 per month (per CoStar the leading national aggregator of rental housing data for residential and commercial properties). $2,278 X 12 months X 10 units = $273,360. Eliminating the first $100,000 leaves $173,360 subject to a gross receipts tax. 174 (thousands or part thereof) X $2.80 = $487.20. **So, the new gross receipts business license tax would result in MORE THAN DOUBLING THE COST for small, independent rental housing providers.**

The vast majority of multifamily rental housing in Manhattan Beach are properties owned by small, independent rental housing providers. These are the properties allowing Manhattan Beach to meet their state Regional Housing Needs Allocation (RHNA) requirements and providing housing for many working families residing in Manhattan Beach. Without multifamily rental housing, many working families will be forced to relocate far away from their current employment, adding additional burdens of time away from children, increased costs for gasoline, car repairs and childcare. It will also add additional costs to the city in increasing traffic congestion, pollution and wear and tear of roads.

Rental housing providers employ MANY of the other categories listed in the resolution.

- **General Retail** by purchasing water heaters, sinks, toilets, faucets, paint, drywall, lumber, flooring, doors, windows, cabinets, countertops, lighting, software and hardware.
- **Contractors** by hiring local electricians, plumbers, carpenters, HVAC, painters, roofers, flooring installers, and landscapers.
- **Professionals** by hiring certified public accountants, attorneys, engineers, architects, insurance agents, mortgage companies.
- **Utilities** by paying for water, wastewater, and refuse collection services.
- **Services** by paying for advertising.

On top of these costs that are generating revenue for other local businesses, **multifamily property owners already pay the city via property taxes**. In addition, rental housing providers pay for skyrocketing property insurance and mortgage premiums (multifamily owners with 5 or more units must refinance every 5 to 7 years under a commercial mortgage).

Using gross receipts to create a new tax purposefully turns a blind eye as to whether any particular business is making a profit or by how much. Contrary to the claim in the write up for the resolution, using gross receipts does NOT ensure that "large businesses" are paying their "fair share". **Rather, gross receipts masquerades as something equitable, when in practice it destroys businesses that are on tight margins due to high costs. It is the very definition of a tax that causes severely disparate impacts on businesses least able to afford this new business license tax. This is the reason that other cities specifically exclude residential rentals from gross receipts tax and allow them to remain under flat fees.**

This gross receipts business license tax should NOT be put on the ballot as it will make housing even more unaffordable in Manhattan Beach, unduly and unfairly punish rental housing providers, and reduce business for all of the other types of small businesses with rental housing providers as their clients and renters as their workers. **Rental housing is not just the housing backbone in Manhattan Beach for working families, it is the employer for many other small local businesses as well.**

If it is the intent of the Council to target "large businesses", then gross receipts is absolutely the WRONG WAY to do so as it will seriously harm many small business owners that have significant costs in providing their goods and/or services, particularly mom-and-pop rental housing providers. Instead, the Council should be focused on creating MORE opportunities for small businesses, including rental housing providers, to grow and thrive, so they can compete more effectively against their corporate competitors. For rental housing providers that could be a special property tax reduction or rebate and grants or zero-interest loans from the City for major repairs.

We urge the Council to vote NO on this resolution or at least exclude residential rental housing from it and instead allow the continued use of the existing flat fee structure. It is the Council's responsibility to thoroughly consider ALL potential impacts, including possible loss of businesses and affordable housing, before taking such a drastic step as placing an issue on the ballot. **The data is already faulty for rental housing providers and if the Council guesses wrong with this sweeping change, it will be devasting and uncorrectable for years.**

Thank you for your time and consideration. Please feel free to reach out to me directly by telephone at (213) 384-4131; Ext. 309 or via electronic mail at janet@aagla.org.

Sincerely,

Janet M. Gagnon

Janet M. Gagnon, Esq.

CC: Daniel Yukelson, Executive Director, Apartment Association of Greater Los Angeles