



City of Costa Mesa

REGULAR CITY COUNCIL AND SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY AND HOUSING AUTHORITY

Agenda

Tuesday, March 8, 2022

5:00 PM

**City Council Chambers
77 Fair Drive**

Study Session

The City Council meetings are presented in a hybrid format, both in-person at City Hall and virtually via Zoom Webinar. Pursuant to the State of California Assembly Bill 361(Gov. Code §54953(b)(3)) the City Council Members and staff may choose to participate in person or by video conference.

You may participate via the following options:

1. Attending in person: If you are not fully vaccinated you are required to wear a mask while indoors at City Hall or the Council Chambers.

2. Members of the public can view the City Council meetings live on COSTA MESA TV (SPECTRUM CHANNEL 3 AND AT&T U-VERSE CHANNEL 99) or http://costamesa.granicus.com/player/camera/2?publish_id=10&redirect=true and online at [youtube.com/costamesatv](https://www.youtube.com/c/costamesatv).

3. Zoom Webinar:

Please click the link below to join the webinar:

<https://zoom.us/j/98376390419?pwd=dnpFelc5TnU4a3BKWVlyRVZMallZZz09>

Or sign into Zoom.com and “Join a Meeting”

Enter Webinar ID: 983 7639 0419/ Password: 905283

- If Zoom is not already installed on your computer, click “Download & Run Zoom” on the launch page and press “Run” when prompted by your browser. If Zoom has previously been installed on your computer, please allow a few moments for the application to launch automatically.
- Select “Join Audio via Computer.”
- The virtual conference room will open. If you receive a message reading, “Please wait for the host to start this meeting,” simply remain in the room until the meeting begins.
- During the Public Comment Period, use the “raise hand” feature located in the participants’ window and wait for city staff to announce your name and unmute your line when it is your turn to speak. Comments are limited to 3 minutes, or as otherwise directed.

Participate via telephone:

Call: 1 669 900 6833 Enter Webinar ID: 983 7639 0419/ Password: 905283

During the Public Comment Period, press *9 to add yourself to the queue and wait for city staff to announce your name/phone number and press *6 to unmute your line when it is your turn to speak. Comments are limited to 3 minutes, or as otherwise directed.

4. Additionally, members of the public who wish to make a written comment on a specific agenda item, may submit a written comment via email to the City Clerk at cityclerk@costamesaca.gov. Comments received by 12:00 p.m. on the date of the meeting will be provided to the City Council, made available to the public, and will be part of the meeting record.

5. While the City does not expect there to be any changes to the above process for participating in this meeting, if there is a change, the City will post the information as soon as possible to the City’s website.

Note that records submitted by the public will not be redacted in any way and will be posted online as submitted, including any personal contact information. All pictures, PowerPoints, and videos submitted for display at a public meeting must be previously reviewed by staff to verify appropriateness for general audiences. No links to YouTube videos or other streaming services will be accepted, a direct video file will need to be emailed to staff prior to each meeting in order to minimize complications and to play the video without delay. The video must be one of the following formats, .mp4, .mov or .wmv. Only one file may be included per speaker for public comments. Please e-mail to the City Clerk at cityclerk@costamesaca.gov NO LATER THAN 12:00 Noon on the date of the meeting.

Note regarding agenda-related documents provided to a majority of the City Council after distribution of the City Council agenda packet (GC §54957.5): Any related documents provided to a majority of the City Council after distribution of the City Council Agenda Packets will be made available for public inspection. Such documents will be posted on the city's website and will be available at the City Clerk's office, 77 Fair Drive, Costa Mesa, CA 92626.

All cell phones and other electronic devices are to be turned off or set to vibrate. Members of the audience are requested to step outside the Council Chambers to conduct a phone conversation.

Free Wi-Fi is available in the Council Chambers during the meetings. The network username available is: CM_Council. The password is: cmcouncil1953.

As a LEED Gold Certified City, Costa Mesa is fully committed to environmental sustainability. A minimum number of hard copies of the agenda will be available in the Council Chambers. For your convenience, a binder of the entire agenda packet will be at the table in the foyer of the Council Chambers for viewing.

The City of Costa Mesa aims to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is currently provided, the Clerks office will attempt to accommodate in a reasonable manner. Please contact the City Clerk's office 24 hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible 714-754-5225 or at cityclerk@costamesaca.gov.

El objetivo de la Ciudad de Costa Mesa es cumplir con la ley de Estadounidenses con Discapacidades (ADA) en todos los aspectos. Si como asistente o participante en esta junta, usted necesita asistencia especial, más allá de lo que actualmente se proporciona, la oficina del Secretario de la Ciudad intentara de complacer en una forma razonable. Favor de comunicarse con la oficina del Secretario de la Ciudad con 24 horas de anticipación para informarnos de sus necesidades y determinar si alojamiento es realizable al 714-754-5225 o cityclerk@costamesaca.gov.

REGULAR STUDY SESSION OF THE CITY COUNCIL

MARCH 8, 2022 – 5:00 P.M.

JOHN STEPHENS
Mayor

MANUEL CHAVEZ
Council Member - District 4

ANDREA MARR
Mayor Pro Tem - District 3

JEFFREY HARLAN
Council Member - District 6

LOREN GAMEROS
Council Member - District 2

ARLIS REYNOLDS
Council Member - District 5

DON HARPER
Council Member - District 1

KIMBERLY HALL BARLOW
City Attorney

LORI ANN FARRELL HARRISON
City Manager

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

STUDY SESSION ITEM:

1. [**FISCAL YEAR 2021-2022 MID-YEAR BUDGET UPDATE**](#) [**22-604**](#)

RECOMMENDATION:

Staff recommends that City Council receive and file the FY 2021-22 mid-year budget update for the current fiscal year that began on July 1, 2021 and ends on June 30, 2022.

Attachments: [1. FY 21-22 General Fund Overview](#)
[2. Sales Tax Report](#)
[3. CM21-005 Property Tax \(December 2021\)](#)

ADJOURNMENT



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 22-604

Meeting Date: 3/8/2022

TITLE:

FISCAL YEAR 2021-2022 MID-YEAR BUDGET UPDATE

DEPARTMENT: FINANCE DEPARTMENT

PRESENTED BY: CAROL MOLINA, FINANCE DIRECTOR

CONTACT INFORMATION: CAROL MOLINA, FINANCE DIRECTOR (714) 754-5243

RECOMMENDATION:

Staff recommends that City Council receive and file the FY 2021-22 mid-year budget update for the current fiscal year that began on July 1, 2021 and ends on June 30, 2022.

BACKGROUND:

On June 15, 2021, the Fiscal Year 2021-22 Operating and Capital Improvement Budget was adopted by the City Council. The Adopted General Fund budget totaled \$154.4 million and the All Funds (including restricted funds) budget totaled \$197.9 million with a total of 651.9 Full Time Equivalents (FTEs) across City departments.

All City Departments continue to exercise fiscal prudence by monitoring their budgets to ensure there are sufficient appropriations for essential programs; expending actual revenue that has been received or awarded in grants or restricted funds; and making minor adjustments to staffing to better address workload demands and Council priorities.

ANALYSIS:

Since the onset of the pandemic, the City has proactively implemented and managed its finances to ensure fiscal sustainability throughout the impacted period and beyond. The pandemic first affected the City's revenues during the last quarter of Fiscal year 2019-20, from April through June 2020. The City Council approved the temporary suspension of capital projects and reduced spending to emergency-related items only. As a result, the FY 2019-20 General Fund Budget ended with a slight \$160,000 increase to the Fund Balance without the need to dip into the City's reserves.

The following year, Fiscal Year 2020-21 marked the first full year of the pandemic. Expenditure reductions were approved and implemented across all departments including a 5% employee pay furlough, the temporary defunding of numerous vacant positions, and targeted operating reductions in all departments.

The current Fiscal Year 2021-22 budget anticipates a gradual recovery from the fiscal impacts of the pandemic. More than halfway through the fiscal year, the City is experiencing a rebound in Sales Tax revenues, higher than budgeted rebound in hotel taxes, and the continued growth of Property Taxes. Overall, the FY 2021-22 year-to-date financials reflect that revenues and expenditures are generally better than projections made in the Fiscal Year 2021-22 Adopted Budget. As of December 31, 2021, the General Fund recorded 41% of the projected revenues and 51% of budgeted expenditures. These percentages are generally consistent with what is expected at this time of the fiscal year. Revenues and expenditures do not occur uniformly throughout the year, so at the end of the second quarter we do not expect to see 50% of the annual realized revenue. Further details are included below.

Federal American Rescue Plan Act (ARPA) Funding

By March 2021, the \$26.2 million ARPA (American Rescue Plan Act) funding passed Congress and the first half, \$13.1 million, was realized in the City's coffers. Next month, in April 2022, we anticipate receiving the second half of the City's allocation of ARPA funds. Fiscal relief provided by ARPA allowed the City to reinstate staffing and to end the employee furloughs with full reimbursement to the employees, reinstate the Capital Asset Needs (CAN) funding, increase funding for Information Technology projects, and eliminate the deficit in the Disaster Fund (Fund 150), where the expenditures related to the emergency were booked. With all these strategic adjustments and prudent financial management, the City's emergency reserves in the General Fund were again untouched.

The City is expecting to receive the second half of its ARPA allocation totaling \$13.1 million by next month. We are pleased to report that ARPA funds are much more flexible than prior emergency relief funds such as CARES Act funding. Just recently, new Department of Treasury guidelines were released stating that these funds can also be utilized for: premium pay for essential workers, to restore positions, and restore employment: funding for employees that experienced pay reductions or work furloughs; to maintain compensation levels to prevent layoffs, and for worker retention incentives, including reasonable increases in compensation.

As such, realigning positions, leveraging existing positions, revamping the recruitment process, and reasonably increasing compensation to market levels, are all eligible uses of ARPA funds. City staff recommends the use of ARPA funds to recruit and retain high quality staff as approved by City Council as one of the City Council's goals and now within the scope of ARPA's eligibility requirements and guidelines.

REVENUES

The City continually monitors and adjusts its revenue projections based on revenue performance and other developments that impact City revenues. It is important to note that several key revenues are received at different times throughout the fiscal year. Sales Tax represents 40% of the total annual General Fund revenue and is the largest revenue category. Property Tax represents 33% of the total General Fund revenues budget and is primarily received in the December/January and April/May periods. Transient Occupancy Tax (TOT) represents 4% of total General Fund Revenues, and is received monthly. Although TOT receipts have increased since last fiscal year, this revenue stream continues to be impacted by the pandemic and the loss of group business mainly comprised of industry and trade conferences and bookings. Cannabis Gross Receipts Tax represents 1.3% of

budgeted General Fund Revenues, but will not materialize at the level budgeted as the retail cannabis program's implementation is still underway. As of today, based on these trends, we are amending the General Fund Year-End projections from \$154.4 million (including transfers) to a total of \$156.0 million, a projected increase of \$1.6 million.

EXPENDITURES

The Fiscal Year 2021-22 expenditures budget was \$154.4 million for Citywide services with public safety comprising over 50% of total expenses. As of this writing, General Fund expenditures are expected to come in below budgeted levels by \$1.2 million, at \$153.2 million, due to greater than anticipated vacancies.

These expenditure savings combined with the increased revenue projections will result in an estimated year end savings in the General Fund budget of approximately \$2.8 million.

Fiscal Year 2021-22 Mid-Year Update

Category	Adopted FY 21-22	Projected FY 21-22*	Difference
Property Taxes	\$49.6	\$49.7	\$0.1
Sales Tax	61.0	66.1	5.1
TOT (hotel tax)	5.6	6.7	1.1
Cannabis (fees and permits)	3.3	2.5	(0.8)
Other Revenues	25.1	28.0	2.9
Subtotal	144.6	153.0	8.4
Use of Reserves	3.2	0.0	(3.2)
Transfer In – Use of ARPA	6.6	3.0	(3.6)
Total Funding Sources	154.4	156.0	1.6
			-
Expenditures	(154.4)	(153.2)	1.2
Surplus/(Deficit)	\$ -	\$ 2.8	\$ 2.8

Strengthen the Public Safety and Improve the Quality of Life

The City Council has implemented a goal to strengthen the public's safety and improve the quality of life in Costa Mesa. There are a few critical positions in the safety departments that staff will be requesting at a future Council meeting to further strengthen our public safety response. The experience of the pandemic has only heightened the necessity to identify critical areas of operation that need additional support; hence, a request will be made shortly to add a few new key positions in the Police and Fire and Rescue Departments to strengthen our public safety response.

In addition, throughout the year, the City's public safety personnel provides mutual aid support to other jurisdictions. This is a situation that occurs more frequently in the Fire Department, but with the pandemic, we also experienced this in the Police Department. In these situations, Costa Mesa will

respond to the call for help and send our personnel and fleet to assist others. After that response, the City will receive full reimbursement for the expenses incurred. At a future meeting, Staff will also be requesting that City Council authority be provided to appropriate funds as revenues are received to ensure net neutral impacts to the City's public safety departments. Based on our review of the City's financial performance thus far, these adjustments can be accommodated in this fiscal year.

Recruiting and Retaining High Quality Staff

City Council identified and approved a goal to recruit and retain high quality staff at the September 2021 Strategic Plan Retreat. It is imperative that the City enhance its ability to actively recruit and retain talented staff. As a result, staff is proposing to create a new Recruitment Office in the Human Resources Division of the City Manager's Office with the addition of two key positions and the realignment of other staff to those duties full time. Further, staff will be recommending to bring a second round of positions for market based adjustments to further enhance our recruitment and retention efforts. Phase 1 of the hard-to-fill positions was presented and approved by the City Council in December 2021. The next phase will be presented on March 15, 2022.

FISCAL REVIEW:

There is no fiscal impact to receiving and filing this report. All future proposed staffing changes will be fully costed and presented to the City Council with detail regarding specific funding available and annualized costs when presented to the City Council.

LEGAL REVIEW:

The City Attorney has reviewed and approved this report as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goals:

- Strengthen the Public's Safety and Improve the Quality of Life
- Achieve Long-term Fiscal Sustainability
- Recruit and Retain High Quality Staff
- Diversify, Stabilize and Increase Housing to Reflect Community Needs
- Advance Environmental Sustainability and Climate Resiliency

CONCLUSION:

Staff recommends that City Council receive and file the mid-year budget review for Fiscal Year 2021-22 that began on July 1, 2021.

Fiscal Year 2021/2022
General Fund Overview

Category	Adopted FY 21-22	Projected FY 21-22*	Difference
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			-
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**CITY OF COSTA MESA
FINANCE DEPARTMENT
INTEROFFICE MEMORANDUM**

TO: DISTRIBUTION

FROM: CAROL MOLINA, FINANCE DIRECTOR

DATE: FEBRUARY 8, 2022

SUBJECT: SALES TAX INFORMATION – 3RD QUARTER (JULY 2021 – SEPT. 2021)

Attached are the Third Quarter Sales Tax Receipts Reports (July thru September 2021). Costa Mesa businesses continue to rebound from the fiscal impacts that were brought on by the pandemic. The low interest rate environment and pent up consumer demand has resulted in stronger sales tax returns. The third quarter experienced a healthy sales tax receipts, particularly in the purchases of general consumer goods, such as high-end jewelry, automobiles and appliances. Additionally, higher property values have resulted in an increase in home improvement projects; thereby resulting in a healthy increase of building supplies sales, such as lumber.

As we continue to review all revenues received, it is important to remember that the travel/hotel industry continues to struggle. Business conferences have not yet returned to in-person events; thereby resulting in lower hotel occupancies than experienced before the pandemic. The higher sales tax receipts have helped offset the impacts of the hotel industry. Staff continues to manage the fiscal year's budget and work with HDL to obtain further information as it relates to the City's continued sales tax performance.

Please feel free to reach out to me directly if you have any questions.

Carol Molina
Finance Director

Attachments

Distribution:

- City Council Members (7)
- Planning Commissioners (5)
- Department Directors and Staff
- Finance and Pension Advisory Committee (9)
- Carla Valenzuela, Chamber of Commerce

CITY OF COSTA MESA

SALES TAX UPDATE

3Q 2021 (JULY - SEPTEMBER)



COSTA MESA
TOTAL: \$ 18,493,542

34.8%
3Q2021



18.8%
COUNTY

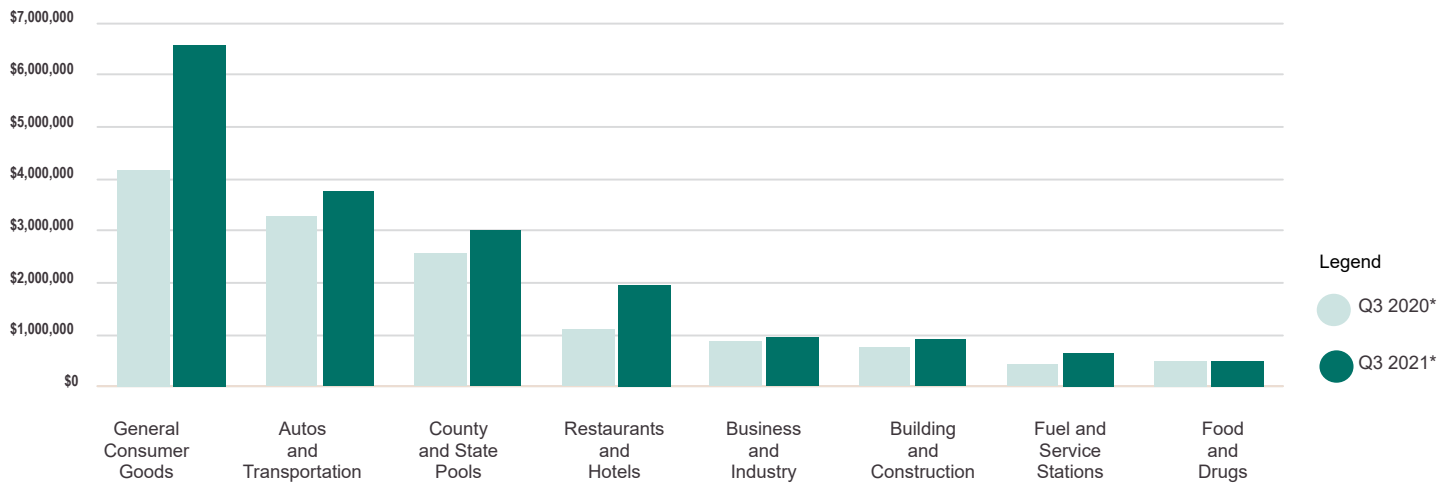


18.2%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF COSTA MESA HIGHLIGHTS

Costa Mesa's receipts from July through September were 37.6% above the third sales period in 2020. Excluding reporting aberrations, actual sales were up 34.8%.

This strong percentage gain signifies the continued rebound from the pandemic impacts of a year ago.

Dramatic rebounds from multiple retailers including women & family apparel, department & jewelry stores were largely responsible for the general consumer growth. With minimal mask requirements, available indoor and outdoor options, continued pent up demand to dine out, and return of the County Fair, receipts from all restaurants surpassed any amounts previously reported.

Continued strong demand and limited inventory for vehicles causing elevated

pricing for buyers contributed to sensational returns from new and used auto dealers, while an increased number of commuters bringing about a lack of supply having upward pressure on gas prices resulted in stellar growth from service stations.

Revenue from building-construction suppliers rose during this summer period with a solid housing market, still rather low interest rate environment and increased cost of lumber having an impact.

Allocations from the countywide use tax pools also grew 16%, however this is less than most recent periods. Sales by online merchants make up a considerable portion of the overall activity, and total purchases compared to the pandemic shutdown periods are slowing.



TOP 25 PRODUCERS

Audi Fletcher Jones
Autonation Honda
Best Buy
Bloomingdale's
Carmax
Cartier
Chanel
Christian Dior
Connell Chevrolet
Eurocar
Ganahl Lumber Company
Gucci
Hermes
Home Depot
IKEA
Louis Vuitton
Macys
Nordstrom
Pacific Auto Center

Orange Coast Chrysler
Jeep Dodge Ram Fiat
South Coast Toyota
Target
Tesla Motors
Tiffany & Co
Tourneau



STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor's Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar

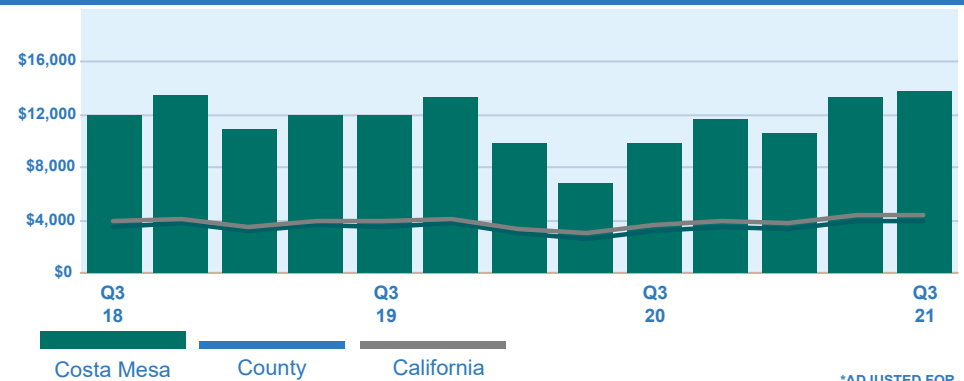
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building

materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer's disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Costa Mesa Business Type	Q3 '21*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,061.7	24.6% ↑	19.0% ↑	18.7% ↑
Family Apparel	1,593.3	70.9% ↑	45.8% ↑	39.2% ↑
Used Automotive Dealers	1,095.6	2.7% ↑	16.8% ↑	16.4% ↑
Department Stores	1,092.2	53.4% ↑	50.4% ↑	52.1% ↑
Casual Dining	864.6	78.9% ↑	65.2% ↑	69.0% ↑
Jewelry Stores	846.5	63.6% ↑	52.8% ↑	38.0% ↑
Home Furnishings	792.1	13.2% ↑	11.9% ↑	11.0% ↑
Service Stations	649.6	52.2% ↑	62.8% ↑	53.3% ↑
Women's Apparel	578.8	146.1% ↑	75.5% ↑	67.7% ↑
Quick-Service Restaurants	524.1	48.0% ↑	16.4% ↑	14.4% ↑

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars



**CITY OF COSTA MESA
FINANCE DEPARTMENT
INTEROFFICE MEMORANDUM**

TO: DISTRIBUTION

FROM: CAROL MOLINA, FINANCE DIRECTOR

DATE: DECEMBER 27, 2021

SUBJECT: PROPERTY TAX SUMMARY – FISCAL YEAR 2021/22

Attached is the fiscal year 2021/22 Property Tax Newsletter Report. Home sales growth started in the summer of 2020 that resulted in an increase in property tax values and sales. The City's median sale price grew from \$915,000 to almost \$1.1 million, a 15 percent growth year over year. The low interest rate environment has also contributed to increased home values, and a strong housing market. The growth has been partially offset by property tax reductions successfully achieved by hotels due to the continued impact to the hospitality industry.

Property tax revenues continue to increase as a result. Fiscal year 2020/21 ended the year with \$47.5 million, a \$2.3 million, or five percent increase over the prior year. It is important to remain cautious, as the Federal Reserve looks to increase rates in 2022. Staff will continue to monitor the City's revenues to ensure fiscal sustainability.

Please feel free to reach out to me directly if you have any questions.

Carol Molina
Finance Director

Attachments

Distribution:

City Council Members (7)
Planning Commissioners (5)
Department Directors and Staff
Finance and Pension Advisory Committee (8)
Carla Valenzuela, Chamber of Commerce



COSTA MESA

2021/22 PROPERTY TAX SUMMARY



The City of Costa Mesa experienced a net taxable value increase of 2.8% for the 2021/22 tax roll, that was slightly less than the increase experienced countywide at 3.7%. The assessed value increase between 2020/21 and 2021/22 was \$620 million. The change attributed to the 1.036% Proposition 13 inflation adjustment was \$201 million. That accounted for 32% of all growth experienced in the City.

The largest assessed value increase was reported on a commercial parcel that is the site of the Tradewinds Mobile Home Park (2191 Harbor Blvd.). The parcel, which was recently purchased in 2020, has been reappraised adding over \$18.6 million to the roll. New improvements added to a parcel owned by Harrington Investment Company (Fletcher Jones Audi) added \$8.5 million. The sale of an industrial parcel to NP Pullman LLC (3140 Pullman Street) triggered a reappraisal and a \$7.6 million increase in value between tax years.

The largest assessed value decline was reported on a commercial parcel owned by 1640 Newport Blvd. LP (Pacific Medical Plaza). The property was granted an assessment appeal which was partially offset by a decrease in the exemption amount. The total net change was a value decrease of \$16.7 million. A commercial parcel this is the site of the Hilton hotel located at 3050 Bristol Street received an appeal reduction of \$15.4 million. Similarly, an appeals reduction for the parcel that houses the Residence Inn at 881 Baker Street reduced that value by \$8.1 million. Hotel reductions have become very common in the 2021/22 roll year due to hospitality closures in 2020.

Growth in home sales strengthened in the summer of 2020 and many cities saw an increase in properties for sale. Sales price increases in 2020 were reflected on the 2021/22 tax rolls. North Bay counties saw mild declines in median prices in late 2019 and early 2020 and Southern California counties saw a flattening of prices in many areas. Homes prices increased in the second half of 2020. Sale prices grew due to low inventory and the declining mortgage rates. These conditions have continued to caused prices to rise in 2021. The median sale price of a detached single family residential home in Costa Mesa from January through September was \$1,055,000. This represents a \$140,000 (15.30%) increase in median sale price from 2020.

Year	D-SFR Sales	Median Price	% Change
2015	733	\$705,000	
2016	667	\$732,500	3.90%
2017	724	\$785,000	7.17%
2018	765	\$847,000	7.90%
2019	709	\$860,000	1.53%
2020	720	\$915,000	6.40%
2021	635	\$1,055,000	15.30%

2021/22 Tax Shift Summary

ERAF I & II	\$-7,334,894
VLFAA (est.)	\$13,637,178

Top 10 Property Owners

Owner	Net Taxable Value	% of Total	Use Type
1. THE IRVINE COMPANY LLC	\$491,278,516	2.16%	Commercial
2. SOUTH COAST PLAZA	\$344,114,817	1.51%	Commercial
3. PR II MCC SOUTH COAST PROPERTY OWNER LLC	\$266,446,184	1.17%	Commercial
4. UNITED DOMINION REALTY LP	\$212,355,195	0.93%	Residential
5. AUTOMOBILE CLUB OF SOUTHERN CA	\$172,198,648	0.76%	Commercial
6. CASDEN LAKES LP	\$139,622,323	0.61%	Residential
7. SOCO RETAIL FEE OWNER LLC	\$131,369,122	0.58%	Industrial
8. S-TRACT LLC	\$126,384,748	0.56%	Commercial
9. C J SEGERSTROM AND SONS	\$117,922,480	0.52%	Commercial
10. BAKER BLOCK ASSOCIATES LP	\$114,531,890	0.50%	Residential
Top Ten Total	\$2,116,223,923	9.31%	

Real Estate Trends

Home Sales

While a reduction in the number of single-family home sales was experienced in many areas and sales price changes reflected modest declines or increases in 2019 and early 2020, these market trends were impacted by COVID-19 beginning in March 2020. The number of home sales plummeted as potential buyers stayed home. After major reductions in the number of sales in April and May, sales of detached SFR rebounded and statewide the number of sales increased by 3.5% over 2019. Statewide, the median sales prices for July 2021 increased by 21.74% over July 2020 and were up by 33.42% over July 2019. The statewide median time on the market for detached SFR was 8 days in July 2021. The 30-year, fixed-mortgage interest rate averaged 2.71% as of September 2, 2021 down from 3.16% in June 2020.

All Homes	Units Sold June-2020	Units Sold June-2021	% Change	Median Price June-2020	Median Price June-2021	% Change
Imperial County	143	141	-1.40%	\$250,000	\$280,000	12.00%
Los Angeles County	5,148	8,178	58.86%	\$645,000	\$790,000	22.48%
Orange County	2,616	4,106	56.96%	\$775,000	\$900,000	16.13%
Riverside County	3,912	5,154	31.75%	\$425,000	\$505,500	18.94%
San Bernardino County	2,655	3,534	33.11%	\$367,500	\$440,000	19.73%
San Diego County	3,621	4,816	33.00%	\$600,000	\$750,000	25.00%
Ventura County	797	1,113	39.65%	\$615,000	\$765,000	24.39%

Housing Affordability Remains a Challenge Throughout California

The COVID-19 pandemic inhibited property sales in the first quarter of 2020 but for most communities it did not significantly impact 2020-21 assessed value growth from transfers of ownership. The stay-at-home orders, business closures and other economic impacts affected 2021-22 growth by reducing the annual CPI adjustment from the maximum 2% to 1.036%. New construction already underway did not see a decline, however, the shortages of building materials affected new construction starts in the second half of the 2020 and into 2021.

Gains in median housing prices do not suggest that there is any potential for county assessors to apply Proposition 8 value reductions on single family homes. While assessed values on the 2020-21 rolls were not impacted by the pandemic, the effects of the pandemic are reflected in large increases in assessment appeals activity for that fiscal year. The chart below reflects 2019-20 and 2020-21 values under appeal by property owners in select counties as a percentage of total taxable values reported in each year.

Comparison of Value Under Appeal By County
2019-20 to 2020-21, as a percentage of total taxable value

