

Santa Monica: taxes, spending and the way back

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Santa Monica charges the highest hotel and parking tax rates of the tourism cities RAND compared, ties Culver City for the highest combined sales tax rate, and has nearly tripled its water rates since 2020 [1][2][3][4]. Over the same decade, taxable sales fell by a third, the general fund balance fell by more than half, and two rating agencies put the City's bonds on negative outlook [1][5][6][7]. This report sets out the record from the City's own documents, names the votes behind it, projects the next four budgets and proposes a plan to bring Santa Monica back.

SUMMARY

- Every city tax rate change since 1989 has been an increase, with one partial exception: Measure F in 2024 cut business license rates for small retailers and restaurants while raising others, for a net gain to the City of about \$3 million a year [8][9].
- The combined sales tax rate is 11.25% as of Oct. 1, 2026. The City's own share rose from zero to 1% through Measure Y in 2010 and Measure GSH in 2016 [2][10][11].
- The hotel tax rose from 10% to 15%, and 17% for home-shares. The private parking tax rose from 10% to 18% in 2025 [12][13].
- Water rates under schedules the council approved 7-0 in 2020 and 2025 are 2.9 times their February 2020 level as of July 2026, and are set to reach 3.7 times by 2029 [3][4].
- From FY 2015-16 to FY 2024-25, all-funds spending per resident rose 44% in nominal dollars while the population fell 0.5%. Employees paid more than \$300,000 in total compensation rose from 105 to 249 [5][14].
- Real taxable sales fell 32.8% from 2015 to 2025, more than in Beverly Hills, Culver City or West Hollywood [1].
- On current growth rates the general fund faces a gap of about \$21 million in FY 2027-28 that widens to about \$41 million by FY 2030-31, after the last planned reserve draw ends. This report's recovery plan closes that gap without a new tax.

1. THE RECORD ON TAXES

The table lists every change to a City tax rate found in council records, ballot results and state rate schedules from 1989 to October 2026. Rates are the City's own components unless noted.

Tax	Rate history	How it changed
Sales and use (combined)	9.75% before 2011; 10.25% in 2011; 10.75% in 2025; 11.25% on Oct. 1, 2026	City Measure Y (2010) and Measure GSH (2016) took the City's share from 0% to 1%; county measures added the rest [2][15][10][11][16]
Hotel (transient occupancy)	10% to 12% (1989); 14% (2004); 15% hotels and 17% home-shares (2023)	Council ordinance in 1989; council-placed Measures N and CS [12]
Utility users	8% to 9.5% (1990); 10% (1993), extended to water and wastewater bills	Council ordinances; 10% on electricity, gas, telephone, cable, water and wastewater since [17]
Parking facility	New at 10% (1993); 18% at private facilities (2025)	Council ordinance in 1993; council-placed Measure K in 2024 [13][18]
Real property transfer	\$0.55 to \$3 per \$1,000 (1991); \$6 on sales of \$5 million or more (2021); \$56 on sales of \$8 million or more (2023)	Council ordinance; Measure SM; citizen initiative Measure GS [19][20][21]

Tax	Rate history	How it changed
Business license	1990 rewrite set rate groups that still stand; Measure F (2024) cut some rates and raised others	Council ordinance; council-placed Measure F, net about +\$3 million a year [8][9]

Voters rejected two City tax proposals in this period: a 2014 transfer tax increase and the council's 2022 alternative transfer tax. In July 2024 the council rejected a parking tax increase 4-3, then placed one on the ballot 7-0 the next month [22][23].

On Nov. 3, 2026, voters decide Measure TT, which would let the council lower the hotel tax during designated major events such as the 2028 Olympics [24]. It would be the first measure in this record written to lower a rate.

2. THE RECORD ON FEES AND RATES

Charge	Change	Council action
Water	+20%, 18%, 14%, 14%, 14% (2020 to 2024); +20% (2025), +16% (2026), then +9%, 9% and 6% through 2029	Approved 7-0 on Jan. 28, 2020 and 7-0 on June 10, 2025 [3][4]
Water rates, cumulative	2.9 times the February 2020 level by July 2026; 3.7 times by 2029	Compounded from the two adopted schedules [3][4]
Solid waste	+11% a year from Aug. 1, 2023, after a COVID freeze	Approved 6-0 [25]
Parking meters	\$2 to \$2.50 (2019); \$3 downtown and at the beach (Jan. 12, 2026)	Realignment Plan parking resolution [26][27]

The City has also cut some charges, mostly since the Realignment Plan: the first 90 minutes in downtown structures now cost \$1, outdoor dining fees fell to \$1 or \$2 per square foot, and the wastewater fee for new sit-down restaurants was waived in March 2026. The FY 2026-27 fee study raised 311 fees and lowered 180 [27][28][29].

3. WHAT THE MONEY BOUGHT

Measure	Then	Now
All-funds spending per resident (nominal)	\$6,159 (FY 2015-16)	\$8,883 (FY 2024-25) [5]
Population	Base year FY 2015-16	Down 0.5% [5]
Employees paid more than \$300,000 in total compensation	105 (2015)	249 (2025) [14]
Overtime	\$22.6 million (2015)	\$39.8 million (2025) [14]
CalPERS required payments	\$48.0 million (FY 2024-25)	\$61.9 million scheduled (FY 2027-28) [30]
General fund balance	\$435.8 million (2018)	\$168.1 million (June 2025) [5]
Abuse settlements (Uller cases)		\$229.8 million [31]
Bond outlook	Stable	Negative at Moody's (September 2025) and Fitch (October 2025) [6][7]

Results

- Real taxable sales fell 32.8% from 2015 to 2025, to \$2.18 billion. Clothing sales fell 75% [1].

- Retail vacancy on the Third Street Promenade was 31% in August 2026. Office vacancy is above 20% [1].
- Big Blue Bus trips fell 38.8%, from 16.5 million to 10.1 million. Library visits fell 68.7% [5].
- Police response time to the most urgent calls rose from 8.33 minutes in 2015 to 8.55 minutes in 2023 [32].
- The City produced 87 new housing units per 10,000 residents from 2018 to 2025, second lowest of nine cities RAND compared. A project takes more than six years from application to final permit [1].

4. THE VOTES

Action	Date	Vote
Place Measure CS (hotel tax to 15% and 17%)	June 28, 2022	Unanimous [12]
Place Measure F (business license tax)	June 25, 2024	7-0 [9]
Reject a parking tax increase	June 2024	3-4 [23]
Place Measure K (parking tax to 18%)	July 23, 2024	7-0 [22]
Water and wastewater schedule, 2025 to 2029	June 10, 2025	7-0: Zwick, Hall, Raskin, Snell, Zernitskaya, Torosis, Negrete [4]
FY 2025-27 budget	June 2025	4-3: yes Raskin, Zernitskaya, Negrete, Snell; no Hall, Torosis, Zwick [33]
Declare fiscal distress	Sept. 9, 2025	7-0 [34]
Realignment Plan	Oct. 28, 2025	7-0 [35]
FY 2026-27 budget	June 23, 2026	7-0 [36]

5. FORECAST, FY 2027-28 TO FY 2030-31

The adopted FY 2026-27 general fund carries \$509.5 million of revenue against \$525.2 million of operating spending, with the last \$21.5 million of the Realignment Plan's reserve draw covering the gap [37][38]. The projection below holds that base and varies two growth rates. It is this report's projection, not a City forecast.

Case	Revenue growth	Spending growth	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Four-year total
Current course	3.0%	4.0%	-\$21.4M	-\$27.5M	-\$34.0M	-\$41.0M	-\$123.9M
Recovery plan	4.5%	3.0%	-\$8.5M	-\$0.8M	+\$7.5M	+\$16.5M	+\$14.7M
Downside	1.5%	4.5%	-\$31.7M	-\$48.6M	-\$66.6M	-\$85.5M	-\$232.4M

- Current course: revenue at about its 2016-2025 pace and spending carried by labor contracts and the scheduled CalPERS increase from \$48.0 million to \$61.9 million [30][5].
- Recovery plan: downtown sales recover toward their 2019 real level by 2030 and the 2028 Olympics lift hotel tax for a year, while spending growth is held to inflation through position control and overtime reform.
- Downside: taxable sales keep the 2025-2026 trend RAND measured and the hotel tax stays below its 2019 real level [1].

6. HOW SANTA MONICA SUCCEEDS AGAIN

The City's problem is a shrinking downtown economy, not a shortage of tax rates. Each recommendation below is tied to a measured cause.

1. Pass no new general tax and no fee schedule above inflation for four years. Every future tax measure should carry a sunset date. Support Measure TT so hotel rates can come down during major events [24].
2. Put downtown first. Half of aggravated assaults and 71% of robberies occur in 5% of the city's area, mostly downtown, and at least 45% of retail vacancy is on the Promenade and Santa Monica Place [1]. Concentrate patrol, ambassadors and cleaning there, restart the Homeless Community Court, and give every Promenade tenant improvement a 30-day permit decision.
3. Return the private parking tax toward 10% for downtown structures as downtown taxable sales recover. Of the cities RAND compared, only Los Angeles taxes parking at all, at 10% [1][13].
4. Expand the business concierge into a recurring-problem team, as RAND recommends, and give sanitation and transportation staff written rules for tenant improvements [1].
5. Build housing on a clock. Certify the Local Coastal Program on a public timetable, publish permit timelines by stage, add deputy inspectors and set a target of the West Los Angeles average of 4.9 years from application to final permit [1].
6. Hold spending growth to inflation: freeze non-public-safety hiring outside position control, cut overtime back toward its 2015 level, and publish monthly overtime by department [14].
7. Put the City's own land to work. The assessor roll shows 314 vacant lots and 259 commercial surface parking lots in the city [39]. Start with City-owned lots downtown and the Santa Monica Airport land closing in 2028.
8. Recruit companies that make things. Santa Monica already hosts makers of particle accelerators, camera control systems, cable assemblies and aircraft propellers. Market Bergamot, the airport campus and vacant office floors to them, as RAND's sector-recruiting recommendation describes [1].
9. Audit water rates before the 9% step in 2027. Customers have absorbed a near tripling since 2020 [3][4].
10. Open the books. Publish the vendor payment register, service requests and code enforcement cases as live open data, and add the permit-timeline portal RAND proposes [1].

Measured against the forecast above, the first, second, fourth and sixth recommendations move the City from the current-course case toward the recovery case. Item 6 alone, holding spending growth to 3%, saves about \$5 million in FY 2027-28 and about \$23 million a year by FY 2030-31.

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