



March 22, 2012

The Honorable Antonio Villaraigosa, Mayor
The Honorable Wendy Greuel, City Controller
The Honorable Carmen Trutanich, City Attorney
Honorable Members of the City Council

TRANSMITTAL: LOST IN THE PARKING LOT: STOPPING ROGUE PARKING OPERATORS FROM STEALING OUR TAX DOLLARS

- *Report No. 5 of 8 Final Reports of the Commission*
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Transmitted herewith is the Report submitted by the Ad Hoc [Commission on Revenue Efficiency](#) (C.O.R.E.), entitled *Lost in the Parking Lot: Stopping Rogue Parking Operators from Stealing Our Tax Dollars*. Said Report is No. 5 of 8 Final Reports simultaneously submitted by the Ad Hoc Commission in conclusion of its term. An accompanying letter re *Final Reports & Summary of Work* includes a *Summary of Reports & Projected Revenue & Savings Impacts*.

C.O.R.E. was created by the City Council in 2010 to evaluate and recommend improvements in collections, billing and revenue and efficiency enhancements. (Council File No. [09-2560](#)). In its first phase of work, our seven-member commission, appointed by five of the City's elected officials, issued its [Blueprint for Reform of City Collections](#) in the fall of 2010 -- and presented said Report to Council on May 3, 2011 ([10-0225](#)). The *Blueprint* detailed 65 specific recommendations, including C.O.R.E.'s recommendation of an Inspector General for Revenue & Collections. Further, the *Blueprint* offered a comprehensive roadmap for reform of billing and collections activities – and for the City to realize as much as \$100 million or more annually in additional net revenues from departments' non-tax receivables.

The Commission has concluded its second and final phase of work with eight comprehensive reports – four focused on Business & Economic Development and another four on Collections & Efficiencies. These eight reports identify and detail the potential for additional combined revenues and savings of \$100 million annually – with longer-term opportunities for up to \$350 million in such additional revenues and savings annually.

The enclosed report *Lost in the Parking Lot: Stopping Rogue Parking Operators from Stealing Our Tax Dollars* details Options for reform of collections, ordinances, and enforcement measures. CORE estimates the potential for combined revenues and savings of \$20-30 million annually.

The Commission is grateful for the opportunity to be of service, and we look forward to your consideration of this Report.

Respectfully submitted,

Commission on Revenue Efficiency

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Report Re: **LOST IN THE PARKING LOT:**

***STOPPING ROGUE PARKING OPERATORS
FROM STEALING OUR TAX DOLLARS***

TO: The Honorable Antonio Villaraigosa, Mayor
The Honorable Wendy Greuel, City Controller
The Honorable Carmen Trutanich, City Attorney
Honorable Members of the City Council

DATE: March 2012

I. Summary

The City of Los Angeles' Parking Occupancy Tax is a substantial source of general fund revenue for the City -- generating approximately \$85 million annually. The POT is the 10% add-on we all pay when parking our vehicles in a commercial lot or structure in the City. But, the City -- and nearly every one of us who pay the tax -- are being cheated out of tens of millions of dollars each year by rogue parking operators who collect our money and then fail to turn it over to City. This has to stop.

The cash nature of the parking industry and the transient method of operation employed by many parking lot and valet parking operators allows for constant fraud and abuse of City policy -- resulting in unpaid POT and business taxes. Non-compliance with the City's POT ordinance also creates an uneven playing field for tax scofflaws and leaves the generally law-abiding operators (which generally report a roughly 5% profit margin) at a competitive disadvantage with those wrongfully absconding with another 10%.

L.A.'s POT problem has been the subject of various audits, lawsuits, Council Files, investigations, committee hearings, requests for departmental report-backs and press conferences where City officials talk about getting tough. None of these measures have helped much.

The good news, however, is that the problems are eminently fixable.

The Commission on Revenue Efficiency has intensely studied POT collections throughout 2011. Among the highlights of our recommendations:

- Requiring parking operators to accept credit and debit cards -- The more parkers are able to use plastic, the less cash collected, and the less opportunities for under-reporting and abuse.
- Simplifying and streamlining our ordinances and centralizing responsibility for POT collections -- Currently, three City entities have three separate sets of administrative

hearing related to parking operators: The Office of Finance (which issues business licenses), the Police Commission (which issues operating permits) and the Office of the City Attorney (which is empowered to seek civil and criminal enforcement of the City's ordinances). We need to amend our ordinances, empower one entity to take charge, and the City must stop treating POT just like other form of taxes – it isn't. Operators don't pay the tax it's you and I who pay it. The operators are simply fiduciaries whose sole responsibility is to take the tax we paid and send it to the City – and they're not doing it.

- Clarity – Shockingly, after nearly a year of studying this matter, it remains a challenge to know with certainty how many lots are in the City, how many parking structures, how many operators are under investigation, how many of those operators are delinquent, and so on.
- Integration with a new valet ordinance.
- Better use of new technologies.
- Enforcement and accountability – It's too easy for rogue operators to game the system and the City. The City needs to be swift in enforcement -- and not wait three to five years to pursue bad operators long out of business or long-ago stealing our money.

II. **Recommendations**

A. **HANDLING OF MONEY – Less cash; more plastic**

The cash nature of the parking business (especially surface lots) allows parking operators to pocket the money everyday drivers pay in parking tax. It's theft, pure and simple.

REVENUE CONTROL EQUIPMENT (RCE):

Both the Police Commission and the Office of Finance in their recently completed reports on the parking tax are recommending some form of revenue control equipment. Their views differ:

- The Police Commission studied both moderately priced handheld devices that accept various payment forms and more expensive fixed machines, gates and pay-in-lane systems. Both the Los Angeles Parking Association and the Police Commission generally recommend requiring all parking operators to have revenue control equipment – but allowing the operators to choose which type.
- The Office of Finance stated in its report of Oct. 19, 2011 that: “we do not agree that all current and newly permitted Auto Parks install either permanent, portable or handheld RCE (revenue control equipment). More specifically, Finance does not concur with Auto Parks being provided the option of installing portable or handheld RCE in lieu of permanent RCE.” The Office of Finance seems to favor permanent RCE for all operators, but “recommends at a minimum that all non-compliant Auto Park operators be required to install permanent RCE.” The Office of Finance reasons this requirement, would, among other things, serve as a deterrent to non-compliant operators.

NOTE: See Endnote No. 1 for more discussion re RCE¹.

C.O.R.E. has reflected extensively on the matter of RCE. As we see it, the easiest revenues for operators to not report, or to under-report, are cash revenues. The more parkers pay

by credit and debit cards, the more an electronic and paper trail will exist. And so, C.O.R.E. believes that the form of RCE is not nearly as important as mandating that all operators must accept credit and debit cards. What equipment they use could be left to the operators. Right now, many people pay cash because Auto Parks (particularly surface lots) do not accept debit and credit cards. If they were required to do so, the number of people opting to pay with plastic will, of its own accord, skyrocket. Admittedly, less cash and more plastic will not necessarily achieve 100% compliance, but it will, we believe, solve a large part of the current problem.

Accordingly, C.O.R.E. recommends:

1. **Acceptance of credit cards** -- That all permitted parking operators and operations in the City be mandated to accept credit and debit cards; there shall be no price differential for parkers who pay by debit, credit, check or cash.
2. **Revenue Control Equipment** -- The Police Commission shall be authorized to impose a requirement for any given operator out of compliance to use permanent RCE -- such as automated cash machines, electronic gates, and/or pay-in-lanes systems. Insofar as the cost of such equipment can range from \$45,000 to \$173,000, or more, such a requirement may be imposed on operators deemed seriously out of compliance by the Police Commission. Operators deemed out of compliance (but, perhaps not seriously out of compliance) might be required to use portable RCE that not only accepts various payment types, but also produces receipts.
3. **Electronic access to operator data** -- All operators shall provide the Office of Finance electronic access to data of credit and debit card transactions – and shall authorize as a condition to permitting, that the Office of Finance have access to such records through the credit and debit card processing companies.

B. PROCEDURAL / LEGAL

Currently, the City Attorney, Office of Finance and Police Commission each have their own administrative hearing processes related to various aspects of non-compliance by parking operators. C.O.R.E. could be judicious and say this is inadvisable. In fact, though, it's crazy.

The City Attorney has cited existing provisions in the Los Angeles Administrative Code that may enable greater enforcement by the City. Section 103.06.1 addresses the renewal of permits. Section 22.04.1 addresses the failure to pay POT. Section 103.31(a)(10) address denying a permit based on the failure to pay the POT. Unfortunately, the City seems to have been treating parking operators who steal the same due process rights as, for example, businesses allegedly not in compliance with the City's business tax. There is a big difference between one and the other, however. Accordingly, C.O.R.E. recommends:

4. **Designate one party to be finally responsible for parking operator compliance** – and all the aspects thereof. When C.O.R.E. first began its inquiries into the matter, the Commission invited representatives of the City Attorney, Office of Finance and Police Commission. It was immediately evident that, at the time, the three entities were not cooperating very well and that each was essentially pointing to the other. One party must be ultimately responsible.
5. **Set in place a permanent task force** of representatives from the Office of the City Attorney, Police Commission/LAPD and the Office of Finance. Said task force should meet at least quarterly to review and coordinate enforcement of current –

and any future – codes, regulations or rules applicable to parking operators, and of valet operators. This coordination, C.O.R.E. believes, will make for better and quicker enforcement of the laws on the books.

6. **End the process of up to three entities having administrative hearings.** The three City entities currently involved should be afforded certain cross enforcement powers. The paradigm used by the City of Culver City is one we believe worthy of potentially replicatingⁱⁱ. Culver City's code provides broad authority to the City's Committee on Permits & Licenses to act swiftly and independently to shut down rogue parking operations.
7. **Auditing** – Currently, the Police Commission does spot visits, and the City has a private contractor [The Parking Network](#) (TPN), which does surveillance/audits. This has not been enough. With so much money not being surrendered to the City, C.O.R.E. believes monies spent on auditing, surveillance, and inspection will be well-spent. *Moreover, the Los Angeles Parking Association even recommended to C.O.R.E. that a special fee be imposed upon the parking operators to fully cover the costs of various types of site and financial audits.* The City should take them up on their offer.

NOTE: The Commission discussed the possibility that in a more ideal world POT might be based on something other than a 10% add-on to parking fees paid by people parking – perhaps even a tax based on parking spaces. Given the 2/3 vote needed for any changes in tax policy, the Commission concluded that fixing the current system was more realistic.

8. **Role of the City Attorney**

- a. **Civil Cases:** C.O.R.E. recommends a fast-track to pursuing civil cases against rogue parking operators.

NOTE: The City Attorney's Office reported to C.O.R.E. that it had pending files representing approximately 40 companies with a staggering 700 parking lots (involving approximately not in compliance with applicable ordinances. pending files related to parking lots. In the spring of 2011, the City Attorney's Office also reported to the Commission approximately 30 active cases involving multiple lots. This included civil cases and criminal cases (handled by two respectively different divisions of the office). Of the 30 then-pending cases, 7 were being settled and 2 were in bankruptcy court. A multi-million judgment was obtained against Prestige Parking – though such judgments are difficult to collect on.

Notably troubling to the Commission was that, according to the City Attorney's Office, cases for not-compliance with POT generally don't come to the office until they are at least 3 years old – and many are 5-6 year-old cases.

Three sets of administrative hearings by three City entities is not acceptable. Moreover, it makes little sense to afford to parking operators failing to give over the POT to the City the same treatment as given, for example, to businesses allegedly failing to pay business tax. In the case of the latter, the City must appropriately afford certain levels of due process to taxpayers. In the case of the former, however, the parking operator is not the taxpayer per se – the person parking is. The failure of an operator to give over to the City

is not just a failure to pay its own taxes – it is a failure to hand over tax already paid by the consumer.

- b. Criminal cases:** C.O.R.E. recommends vigorous and timely prosecutions. The Commission is cognizant of the fact that it is more difficult to prosecute a criminal case than a civil one – and that criminal cases do not result in collections or monetary awards to the City. Notwithstanding, a parking operator's failure to convey to the City monies already collected from people parking is theft.
- c. Receivers:** Wherever appropriate, the Office of the City Attorney should seek to obtain appointment of a receiver for parking companies severely non-complying. Sometimes, just the threat may be helpful in collecting.

C. INTEGRATION WITH VALET ORDINANCE

C.O.R.E. recommends that the Council consider ways for certain of the requirements imposed (and to be imposed) upon parking operators be equally imposed upon valet operations.

Arguably valet parking operators are subject to the POT, but there is no currently consistent regulatory scheme of parking valets. On July 2011 The City Attorney submitted a [Draft Valet Parking Ordinance](#) pursuant to [Council File No. 09-0206](#). As of December 2011, there appears to have been no action on the draft since July 2011. The draft ordinance would require Valets to be permitted. The draft also references compliance with POT, but the application of POT to the valet business remains a gray area. C.O.R.E. believes this should be corrected.

There is a wide range of valet operations in the City – and the Commission noted that not all can necessarily be treated the same. There are those operations that are exclusive to a particular lot. Some valets contract with lots in a given area, some serve a specific business and some use primarily street parking. Some valets are commercial operations servicing multiple clients while others are just hired directly by a business owner (such as a restaurant). Some accept validations; others don't. Some valets are hired on an as-needed basis for parties and events in commercial and residential areas. Finally, some are compensated not by the drivers but by the owners or hosts of an event venue.

In nearly all cases, the valet business is very cash-intensive. As a result, it would be very fair to reason that compliance with POT (if applicable) and with business and other taxes is less than ideal. Accordingly, C.O.R.E. recommends:

- 9. Application of POT to valet parking operations, where appropriate –** C.O.R.E. supports adoption of a comprehensive and clear valet parking ordinance. Any such ordinance should clearly identify which types of valet parking operations will, or will not, be subject to POT. Commercial parking lots that offer valet parking (exclusively or optionally), for example, are the types of operations where POT would *most* appropriately be applicable. In contrast, free valet parking paid for by hosts of a party at their home might, arguably, be among types of operations where POT would *least* appropriately be applicable. There are, of course, many, arguably, less clear types of valet services.

Note: The Commission would not support simultaneously applying POT both for the individual using a valet and for the valet company then taking the same vehicle to a parking structure and paying POT for the use of a space.

We also note that the before imposing new requirements, the City would be advised to conduct an inquiry into the likely revenues that might be realized from application of POT to a broader scope of valets vs. the costs of enforcement, collections, etc.

- 10. Acceptance of credit cards** – As with parking lots, requiring certain valet operations to accept credit and debit cards could be a benefit to parkers – and help increase compliance with all sorts of taxes. That said, such a mandate might be more appropriately applied to valets stationed in parking lots and commercial valet operations that service multiple clients vs., for example, a small restaurant that hires one or two people in the evening to park cars.

D. ADDITIONAL APPLICATIONS OF POT

- 11. C.O.R.E. recommends that the Council clarify and define a mandate of the City's application of POT to the following:**

- a. **Validations** – Validated parking may be provided in various ways. Commercial property owners may provide free or reduced-fee parking for visitors (typically shoppers). Such validation may be for parking in a lot owned and/or operated by the business owner or owned/or operated by one or more other entities. Commercial tenants may also pre-purchase validations (sometimes in sticker form) that are applied to ticket stubs of a visitor to the tenant. In all these events, the application of POT has been, and is, inconsistent. The City's ordinances need to clarify the application of POT, where deemed appropriate.
- b. **Monthly parking** – While POT is, arguably, supposed to be applied to monthly parking by a parker, the application of POT, again, seems often to be less than optimally consistent. The City's ordinances should clarify this.
- c. **Lease agreements with free parking** – Tenants often negotiate parking as part of their commercial leases. An office tenant, for example, might negotiate for a certain number of spaces in a building as part of the office lease. The application of POT needs to be clarified in order for the City to get its rightful share of POT.

Note: In the above example, the lease may, or may not, designate the value of the spaces provided by the landlord to the tenant. Say the lease includes 10 spaces regularly rented for \$100 per month. If rented directly to the tenant(s), the gross might be \$1,000 per month for the parking operator/owner – with either an additional \$100 (10% tax) due to the City (or \$90.90 in POT if said sum is already included in the \$1,000 per month). However, if the spaces are simply included in the lease, the City will often not realize any POT.

E. ALTERNATIVE TECHNOLOGIES

Technology has proved to be a dynamic game-changer in every business including parking. New ways of doing business offers new opportunities for the City to track revenue and stay on top of rogue parking operations. Such oversight would have been prohibitively expensive in the past but thanks to flourishing technologies it is now more possible and cost-beneficial.

12. C.O.R.E. recommends that the Council may want to obtain further information about the use of new and emerging technologies for parking and parking tax-related information, including, but not necessary limited to:

- License Plate Recognition Devices (LPRs):

NOTE: The City of Sacramento, through Department of Homeland Security grantsⁱⁱⁱ installed a high tech system of cameras in coordination with LPRs in a private shopping center to track every vehicle entering their facility. The technology is able to sync with the Sacramento Police Department database, and, according to local reports, also resulted in retrieving 21 stolen vehicles that led to the arrest of 22 individuals. Said technology could be used to better track the amount of traffic entering facilities resulting in a more accurate forecast of revenue. In addition these technologies may work as sanctions against those operators found to be non-compliant.

- Data access and sharing – This would include methods to have direct access to parking operator financial data and sharing data with the County re properties designated for parking and re business in the County's databases that are engaged in parking-related operations.
- Cameras – A requirement that cameras (perhaps with live feed to law enforcement or to a parking auditor of the City) might be imposed as a sanction to those operators who have had audits completed and were short in their POT, or for lots that have operated as non-permitted.
- Satellite technology – A regular source of disagreement between rogue operators and the City is just how occupied a parking lot has been. Various methods may be employed to monitor parking occupancy at a given lot. One that may merit more research is obtaining satellite photos. Today, photos generated by satellites are more precise than ever, and may provide some historical data for occupancy of certain surface lots during certain times and dates.
- ***C.O.R.E. also gave extensive consideration to the following – and we concluded to not recommend any significant changes regarding the following hereinbelow:***

F. BONDING / LETTERS OF CREDIT

There has been much discussion in the City about imposing new and/or additional bonding requirements on parking operators. C.O.R.E. has concluded to not make new and/or additional P.O.T-related bonding requirements one of our recommendations. While the City should not take this option off the table, C.O.R.E. believes the other recommendations outlined herein have the potential to be more effective in ending the theft of the City's rogue operators.

Parking operators in Los Angeles are required to provide a bond to be issued a police permit, with bonds ranging from \$50,000 to \$500,000 for larger lots. These bonds do not

guarantee payment of POT, only damages to vehicles. C.O.R.E. supports continuing this requirement (and, as may be appropriate, increasing the bonding for damages to vehicles).

Some in Los Angeles have suggested requiring operators to post bonds or provide letters of credit guaranteeing the City payment of the POT. Some cities have sought this approach, and there is, indeed, an argument to be made that requiring bonding or letters of credit would help drive rogue operators out of business. Notwithstanding, C.O.R.E. is somewhat less than persuaded by calls for bonding.

- It is less than clear that bond requirement can be used for tax purposes (despite lot operators acting as a third party in collecting the tax).
- Legitimately operating parking companies represent that they have roughly a 5% profit margin. Bonds might add 3% to their costs of doing business, resulting in higher costs for the consumer.
- Bonds and letters of credit can take a very long time to collect on – and may involve costly litigation. Moreover, these mechanisms often pay out only after a creditor has exhausted other remedies.
- Smaller operators could very well be driven out of business if they are unable to obtain bonds or letters of credit.

Accordingly, as stated above, C.O.R.E. has concluded to not make new and/or additional P.O.T.-related bonding requirements one of our recommendations.

G. HOLDING PROPERTY OWNERS RESPONSIBLE

The shell game: One of reasons parking operators often get away with not giving over to the City the parking tax collected from parkers is that the operators get away with it. And one of the ways they have continued to get away with it is by playing a shell game. As soon as one operating entity (typically an LLC) is deemed to be out of compliance, or facing closure, the parking operator simply regroups as a new legal entity.

The two sides of owner liability: The Commission gave serious consideration to possible ways to hold not just parking operators responsible for compliance with the POT and other requirements – but to also hold property owners responsible for the conduct of the operators upon their real property. Holding property owners responsible for the misconduct of their tenants is not without precedent. However, it is also not without its complexities. For example, we have laws holding apartment building owners liable if they don't seek to clamp down on drug-dealing tenants. At the same time, it would seem nearly inconceivable to hold an office building owner liable if an office tenant fails to pay its income taxes.

The City of Miami, FL has a notable [Parking Facilities Surcharge Ordinance](#) that broadly defines parking operators and specifically holds real property owners responsible and liable for any parking operations upon their properties. The ordinance specifically states: “The intent of this definition is to place the burden for collection of the surcharge on the owner of the facility and not just the entity which operates the facility if different from the owner”. Notably, the Los Angeles Parking Association expressed to C.O.R.E. that it might be receptive to such an ordinance in Los Angeles.

Possible paradigms for property owner liability: The Commission considered several ways to possibly hold property owners liable for parking operations conducted upon their properties. Possible paradigms include(d), but are not necessarily limited to, the following:

- The City could ask to have the right to approve any lease(s) between a property owner and parking operator and require provisions that bind the property owner to the actions of the operator.
- The City might consider an ordinance holding the property owner responsible for illegal conduct occurring on the owner's property -- much like landlord liability for drug dealing at a property.
- The City might consider requiring the recordation of self-enforcing (non-judicial) liens as a pre-condition to permitting a parking operation (given that such permitting is discretionary).
- **Conditional Use Permits** -- The City might consider changing or supplementing the current paradigm of requiring a Police Permit for a parking operation to something that would include a Conditional Use Permit. Given that CUPs are tied to the real property, the owner of a property that loses its CUP because of misconduct by an operator will have much more incentive to make sure the operator complies. In that the CUP has value for the property owner, that owner will take a much greater interest in anything and everything that would threaten the CUP – and, thus, the value of the property.

Note: While the Commission finds merit in a CUP paradigm, we were also cognizant and concerned of the likely burdens that would be imposed on property owners and businesses in the City.

C.O.R.E.'s conclusions on owner liability: Excepting those situations where a property owner may be knowingly and/or actively participating in illegal conduct in concert with a parking operator – and given the complexities and potentially overreaching burdens that might result for many property owners – the Commission is not recommending at this time that the City adopt the paradigms outlined above for holding property owners liable. Notwithstanding, the City such paradigms might be reserved for consideration by the City at a future time.

III. Background

A. THE CURRENT LEGAL FRAMEWORK: PROCESS OF PERMITTING & ENFORCEMENT

The City of Los Angeles has enacted a Parking Occupancy Tax that is imposed for the privilege of occupying space in any parking facility in the City of Los Angeles. Each operator of a parking facility within the City, whether registered or not, must collect the tax from the occupant of the parking space and remit the full amount of the tax to the City on a monthly basis. The Parking Occupancy Tax is set as a percentage of the parking fee and the current applicable tax rate is 10%. The tax must be separately stated on any signage, receipts or other information provided to customers from the amount of the fee charged. If the full amount of the parking fee and tax are not collected, a proportionate share of the tax is deemed under the City's Parking Occupancy Tax Ordinance to be collected with each parking fee collected and such amount must be remitted to the City.

- The Los Angeles Municipal Code: Ch. X (Business Regulations), Div. 8 (Trades & Occupations), Sec. [103.202](#), defines an "Automobile Parking Lot" as "... any lot,

contiguous lots, or other parcels of land under single management or control where more than eight motor vehicles are kept stored or parked within or without a building, for a consideration, at any one time.” This section of the Municipal Code also sets forth the permitting requirements therefor.

- Los Angeles Municipal Code: Ch. II, [Article 1.15, Secs. 21.15.1 - 21.15.14](#), Sets forth the City’s Parking Occupancy Tax Ordinance.
- Los Angeles Municipal Code: Ch. II, Article 2, [Sec. 22.02](#) sets forth powers to revoke permits and [Sec. 22.04.01](#) further sets forth grounds for suspension or revocation of a permit for a parking operation based on failure to comply with POT requirements.

Los Angeles Municipal Code Sec. 22.04.1, which became effective March 7, 2009, authorizes revocations or suspension of police permits for non-payment of taxes. Once the Office of Finance completes an administrative process, it prepares a report and affidavit for the Police Permit Review Panel^{iv} to consider Revocation or Suspension of a permitted lot. The only lots this pertains to, however, are those that have a current permit. Moreover, another (sometimes connected or related) applicant may apply for a new permit. Moreover, new and renewal permits have been granted to companies even being sued by the City for non-payment. A prime example is Police Commission [Permit Application List with Recommended Board Action^v](#) (1/25/11) -- granting new permits to Prestige Parking.

According to information provided by the Police Commission to C.O.R.E., earlier this year, there were at the time 10 cases provided to the Commission Investigation Division by the Office of Finance. Pursuant thereto, 4 permits were revoked, 2 cases settled by payment, 2 suspended pending payment arrangements made with the Office of Finance, 2 agendized for revocation. Several revocations have been put on hold at the request of the Office of the City Attorney due to civil suits against an operator and/or settlement proceedings.

The [Business Permit Fee Schedule of the Police Commission^{vi}](#) provides for original, annual, change of location fees.

B. HOW MANY COMMERCIAL LOTS AND STRUCTURES DO WE HAVE?

There continues to exist much uncertainty about just how many lots and structures (permitted and unpermitted) we have in the City.

As CORE began to ascertain the number of auto parks within the city we found conflicting representations at different times by the Office of Finance and the Police Commission regarding the number of parks, and the number of permitted parks.

- In January 2010, the Office of Finance reported 2,150 businesses registered as conducting an “Auto Park” businesses (reported as part of a [“Request for Proposal for City Parking Occupancy Tax Discovery & Compliance Program”](#)).
- In March 2011, the Police Commission indicated to C.O.R.E. that “our data base of permits indicates just under 1,700 permitted parking lots. As to the number of non-permitted lots that for us is difficult to provide since we do not know a lot is being operated until we discover it by on-site inspection or information provided to us by the Office of Finance.”

- In the first half of 2011, the Office of Finance advised the Police Commission that there were 2,071 auto parks within the City. The Police Commission Investigation Division (CID) investigated and completed a field survey July 2011. The Police Commission related to C.O.R.E. that “the number supplied by (the) Office of Finance is not accurate.” CID found 1,153 validly permitted auto parks. 68 were found to be towing operations and 255 were eliminated as auto parks altogether. Some of those eliminated were found to be Valet Services not requiring an Auto Park permit. As of September 2011, CID reported 595 of the locations did not have permits, but were being checked out as time is available. However, CID reported that as they are checking these locations without permits they are finding that most of them are either valet services or there are simply no lots at the location.
- CORE conducted its own (admittedly unscientific) based on L.A. County Assessor designated land uses in seven zip codes (90012, 90013, 90014, 90015, 90017, 90021, and 90029). The records identified 115 parking structures and 785 parking lots just in these seven zip codes. We note that designated land use codes may not always accurately reflect current use(s). Moreover, certain structures and lots may be exempt from POT taxes as non-profits or for other reasons. Notwithstanding, our sense is that the City’s numbers of total lots may be less than ideally comprehensive.

C. C.O.R.E.’S INQUIRIES

C.O.R.E. Conducted numerous meetings and ongoing inquiries into the issues related to the POT. Beginning Nov. 18, 2010, representatives from the Police Commission Investigation Division (CID), Office of Finance, and City Attorney presented an overview to C.O.R.E. of the City’s regulation of parking lot operators, with the primary focus on collection of the Parking Occupancy Tax. C.O.R.E. brought together these three sets of parties responsible for parking operations simultaneously in order to begin to understand and unravel the multiple layers of oversight. In January 2011, the Commission held a follow-up discussion on the Parking Occupancy Tax with representatives from the Los Angeles Parking Association which represents large lot operators in the City. The Association also submitted a letter to C.O.R.E.^{vii} Thereafter, C.O.R.E. began a series of further inquiries and follow ups, culminating in this report.

D. COUNCIL FILE(S)

Issues related to parking operators, the Parking Occupancy Tax, and compliance therewith, have long been the subject of discussion and Council Files in the City. Among the highlights:

- [Council file No. 09-0177](#) – Introduced Jan. 27, 2009 re Parking Occupancy Tax. Pursuant thereto, on July 10, 2009, the Council adopted recommendations of the Budget & Finance Committee instructing the Office of Finance and requesting the Police Commission “to report to the Council with recommendations for requiring parking operators to install parking revenue and control equipment at any parking facility found to be not paying or underpaying the Parking Occupancy Tax in order to make auditing and monitoring of compliance less difficult and to enable suspension of repeat offenders from operating as a parking lot until such equipment is installed.” Thereafter, it is unclear as to whether there was any follow up.

- [Council File No. 09-0206](#) – Introduced Jan. 28, 2009 re Valet Parking Permit Program / Regulation. As noted in Sec. II C. of this report, a [Draft Valet Parking Ordinance](#) prepared by the Office of the City Attorney is still pending – with no action thereupon since July 2011.
- [Council File No., 09-1479](#) – Report of June 16, 2009 from the Office of the CAO and Report of July 2, 2009 from the Budget & Finance Committee relative to a supplemental agreement with The Parking Network, Inc., for the continuation of the Parking Occupancy Tax Discovery Program. Recommendations for Council action were to (1) authorize the Director of Finance, or designee, to execute the supplemental agreement with The Parking Network, Inc., on a month to month basis through December 31, 2009, upon receipt of a current insurance certificate, and (2) to instruct the Office of Finance to report back to the Budget and Finance Committee relative to the Department's efforts to ensure compliance with the City's parking occupancy tax requirements. The report should include the number of parking lots both in and out of compliance with the parking lot permit requirements.
- [Council File No. 11-0595](#) – Introduced April 27, 2011 re Parking Occupancy Tax Collections. Referred to the Audits and Governmental Efficiency Committee and the Transportation Committee of the Council.
- [Council File No. 11-1470](#) – Introduced Aug. 19, 2011 re Parking Occupancy Tax Amendment.

E. RESOURCES

A list of various parking associations, parking companies, periodicals and other resources is hereinbelow in the endnotes to this report.^{viii}

IV. Revenue Impacts

- **As reported to CORE, an estimated 25-30% of Parking Occupancy Tax Revenue may be currently underreported due to rogue parking lot operators. With annual POT revenue of \$85 million, this translates to an additional \$21 - \$25 million annually to the City. CORE is cognizant of the fact that achieving 100% compliance may not occur. However, if the City shifts the costs of audits and investigations to the operators – along with more effectively applying the POT (as may be deemed appropriate) to valet operations, leases, validations, etc. – CORE estimates the potential for combined revenues and savings of \$20 - \$30 million annually.**

Respectfully submitted,

Ad Hoc Commission on Revenue Efficiency

Ron Galperin, Chair
Hon. Cindy Miscikowski, Vice Chair
Mark Ames, Commissioner
David Farrar, Commissioner
Michael Gagan, Commissioner
Cheryl Parisi, Commissioner
Brandon Shamim, Commissioner

CC: Budget & Finance Committee
Audits & Governmental Efficiency Committee
Miguel A. Santana, City Administrative Officer
Gerry F. Miller, Chief Legislative Analyst
Antoinette Christovale, Director, Office of Finance
Neil Guglielmo, Deputy Mayor, Budget & Financial Policy
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ENDNOTES

i Revenue Control Equipment (RCE) -- Mandated installation of automated ticket systems have been discussed in prior occasions.

The Office of Finance's FY 2008/2009 budget package included the following submitted as a revenue opportunity:

"Require a parking operator to install parking revenue and control equipment at any parking facility found to be not paying or underpaying the Parking Occupancy Tax. Due to the cash nature of the parking business, lack of automated equipment (such as ticket dispensers, gates, etc.) makes auditing and monitoring of compliance very difficult. This remedy could be reserved for only repeat offenders with authority to operate being suspended until the equipment is installed for the most serious offenders."

As noted in [Council file No. 09-0177](#), the Council, in fact, adopted recommendations of the Budget & Finance Committee (pursuant to a [Motion](#) by then-Councilmember Wendy Greuel) re instructing the Office of Finance and requesting the Police Commission "to report to the Council with recommendations for requiring parking operators to install parking revenue and control equipment at any parking facility found to be not paying or underpaying the Parking Occupancy Tax in order to make auditing and monitoring of compliance less difficult and to enable suspension of repeat offenders from operating as a parking lot until such equipment is installed."

ii Culver City Muni Code Sec. 11.01.355:

- [http://www.amlegal.com/nxt/gateway.dll/California/culver/title11businessregulations/chapter1101generallicensing?f=templates\\$fn=document-frameset.htm\\$g=\[frank,100%3A\[domain%3A\]and%3A\[stem%3A\]and%3A\[permits%20and%20licensing\]\]\]\[sum%3A\[stem%3A\[permits%20and%20licensing%20\]\]\]\[x=server\\$3.0#LPHit1](http://www.amlegal.com/nxt/gateway.dll/California/culver/title11businessregulations/chapter1101generallicensing?f=templates$fn=document-frameset.htm$g=[frank,100%3A[domain%3A]and%3A[stem%3A]and%3A[permits%20and%20licensing]]][sum%3A[stem%3A[permits%20and%20licensing%20]]][x=server$3.0#LPHit1)

iii License plate recognition devices (LPRs) – grants avail from Dept. of Homeland Security. See:

- <http://www.news10.net/news/story.aspx?storyid=66795&catid=2>, and
- <http://www.latimes.com/news/local/la-me-santa-monica-parking-20110123.0.5779844.story?page=1>

iv The Police Permit Review Panel is a subsidiary of the Board of Police Commissioners, and is responsible for issuing and overseeing a wide variety of Police Permits for numerous types of businesses – including parking lots and garages. The processing of these permits and the investigation of complaints related to permitted businesses is conducted by [Commission Investigation Division](#), which is headed by a Lieutenant Commanding Officer and staffed by sworn and civilian investigators and clerical staff.

v

http://www.google.com/url?sa=t&source=web&cd=2&ved=0CBoQFjAB&url=http%3A%2F%2Fwww.lapdpolicecom.lacity.org%2F010511%2FItem%25203_Non%2520Alarm%2520Calendar.pdf&rct=j&q=la%20police%20commissi on%20parking%20lot%20permits&ei=ayJ4Tb-ylpL6swPqoIW5BA&usq=AFQjCNGuIq3nfTw02XqbME6F3Z0kRXDYA

vi http://www.lapdonline.org/police_commission/content_basic_view/9139

vii Per the Los Angeles Parking Association:

"The Los Angeles Parking Association, comprised of the leading private parking operators, was formed to represent the common interests of the parking industry. We estimate that our members operate about 70% of the parking lots in Los Angeles and pay 70% of the Parking Occupancy Taxes (POT) to the City of Los Angeles. The City collected POT of about \$85 million in FY 2008-09. Due to the fact that some operators were not paying their fair share of POT thus creating an uneven playing field for our members, the Association met with former Controller Laura Chick which resulted in the City retaining an outside auditing firm administered through the Office of Finance. On the permitting side of the equation, the Association worked very closely with the Police Commission staff and the Office of Finance to

develop a process that facilitates the Master Permitting of Automobile Parking Lots and same day permitting of additional parking lots which was approved by the City Council in 2009. The process has yet to be fully implemented by the City. When it is, we believe the City will be in a much stronger position to determine the status of permits and payment of the POT with operators.”

- *C.O.R.E. would like to express its appreciation for the suggestions and forthrightness of the L.A. Parking Association and its representatives in presentation(s) to the Commission.*

viii

RESOURCES:

- <http://www.cppaparking.org/>
- <http://www.parking.org/>
- <http://www.southwestparking.org/>
- <http://www.parkingtoday.com/epip.php>
- Automated and Mechanical Parking Association -- www.ampapark.org/
- International Parking Institute -- www.parking.org
- National Parking Association -- www.npapark.org
- National Valet Parking Association -- www.nvpaonline.com
- Parking Network -- www.parking-net.com
- Parking Today Magazine -- www.parkingtoday.com
- Parking World -- <http://www.parkingworld.com>