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Desert Hot Springs wants tax opinions

Council sets March 4 public hearing on parcel tax hike plan



In a 4-1 vote, with Councilman Scott Matas dissenting, the City Council has opted to hold a March 4 public hearing to seek input from those affected by the city's plans to raise its parcel tax on vacant land. / Desert Sun file photo

DESERT HOT SPRINGS — In a 4-1 vote, with Councilman Scott Matas dissenting, the City Council has opted to hold a March 4 public hearing to seek input from those affected by the city's plans to raise its parcel tax on vacant land.

The council is considering a number of options in order to bring its tax rates on undeveloped parcels of land in line with the tax rates on developed land.

The newest recommendation from city staff, which the council discussed Tuesday night, suggests replacing the existing parcel tax with a flat fee.

This tax, which was approved by voters in 2000, is used to fund the city's public safety spending, which takes up nearly 70 percent of the city's budget.

In Desert Hot Springs, 12,084 acres of the city's 14,192 acres are undeveloped.

According to estimates provided by the city, owners of undeveloped land are levied a \$29.80 per-acre annual tax.

The city collects about \$1.9 million from parcel taxes and nearly \$700,000 from other property taxes.

The proposed increase comes on the heels of several cost-cutting measures aimed at saving the city from municipal bankruptcy.

Besides a flat fee, the council is also considering rate increases on vacant land that range from \$198.91 per acre to \$593.17 per acre. The residential land rate is about \$590 per acre, based on a triple unit per-acre formula provided by city staff.

Gretchen Gutierrez, CEO of Desert Valleys Builders Association, said that even at the lowest amount, this plan would raise the tax on vacant landowners 560 percent.

This will not encourage development but will dissuade it, Gutierrez said. "No other city in the Coachella Valley uses parcel taxes to help fund city services," she added.

This plan, if it were to take effect, would need to be approved by voters by June 3, Interim City Manager Bob Adams said.

Unlike property taxes, parcel taxes are imposed by local governments on a per-parcel basis and do not reflect actual property values. California state law prohibits the placement of parcel taxes based on the value of property.

In California, parcel taxes are often used to fund education, health and public safety districts.

“It’s easy to vote for taxes for other people but it is hard to sit up there and make these decisions ... the survival of our city is at stake,” said Larry Buchanan, a local resident who spoke in favor of the tax.

Gutierrez, in a letter to the city, said that its efforts to increase its parcel tax on vacant land violate the state Constitution because most of those who own such land in the city do not reside there.

As a result, they would not be able to vote on a proposed tax increase.

City Attorney Steve Quintanilla said the California Supreme Court has not defined how cities can implement parcel taxes.

Mayor Pro Tem Russell Betts said public safety has to be shored up in the community.

Councilman Scott Matas, who opposes any tax increase, encouraged city staff to come up with other ways to find the necessary funding.