



City of Manhattan Beach Finance Department

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June 6, 2016

Gabriela Herrera
Zisli Group
Luxury Boutique Hotels / Inspired Restaurants
321 12th Street, Suite #112
Manhattan Beach, CA 90266

Re: Transient Occupancy Tax Compliance Review
Notice of Deficiency Determination – Shade Hotel

Greetings:

The City of Manhattan Beach, in accordance with the provisions of its Transient Occupancy Tax Ordinance, contracted MuniServices to perform a compliance review of Shade Hotel. The examination of records for the period of January 2012 through December 2015 was concluded in May 2016.

The results have been reported to the City, and said results include two adverse findings. The first adverse finding relates to "Other Guest Charges." These fees are considered mandatory charges for the privilege of occupancy and are considered rent and subject to the Tax. The total of the "Other Guest Charges" was \$221,257.93.

The second adverse finding relates to the under-reporting of gross rents in the amount of \$4,716.65 - based upon an annual comparison of amounts reported to the city versus those contained in the internal accounting records.

Consequently, an aggregate deficiency has been determined by the City in the principle amount of \$22,597.46

Please remit the amount of \$22,597.46 no later than Friday June 17, 2016.

The City respectfully requests that you conduct a review of the above referenced fee types for the calendar year 2016 (Jan – May) and remit any additional findings with your next monthly TOT payment, due June 20, 2016. If there are no additional findings, a statement to that effect will suffice.

Should you wish to offer matters in extenuation or mitigation of this deficiency determination, you may do so in writing on or before June 17, 2016, directed to me. You must include copies of any documentation that you believe may cause the City to consider reducing or abating the deficiency determination.

The City would like to thank you for your cooperation with the auditing team and for your continued efforts in the administration of the Transient Occupancy Tax Ordinance of the City.

Sincerely,

A handwritten signature in black ink, appearing to be "Bruce Moe".

Bruce Moe
Finance Director
City of Manhattan Beach