



City of Manhattan Beach Finance Department

1400 Highland Avenue, Manhattan Beach, CA 90266
Phone: (310) 802-5550 Fax: (310) 802-5551 TDD: (310) 546-3501

June 6, 2016

Gabriela Herrera
Zislis 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 blue ink, appearing to be "BM", followed by a horizontal line.

Bruce Moe
Finance Director
City of Manhattan Beach



City of Manhattan Beach Finance Department

1400 Highland Avenue, Manhattan Beach, CA 90266
Phone: (310) 802-5550 Fax: (310) 802-5551 TDD: (310) 546-3501

June 22, 2016

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

PAST DUE

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

Ms. Herrera:

The City of Manhattan Beach, in accordance with the provisions of its Transient Occupancy Tax Ordinance, contracted MuniServices to perform a compliance review of all Hotels within the City. The examination of records was for the period of January 2012 through December 2015 and concluded in May 2016. Consequently, an aggregate deficiency of Shade Hotel was determined in the principle amount of \$22,597.46.

On June 6, 2016, the City notified Shade Hotel via USPS of these findings and requested remittance in the amount of \$22,597.46 no later than Friday June 17, 2016. As of the date of this letter, the City has received no correspondence or payment regarding this matter.

The City's Municipal Code (MBMC 8.20.080) regarding Determination of Tax by Tax Arbitrator states: *Such operator may, within ten (10) days after the service or mailing of such notice, make an application in writing to the Tax Administrator for a hearing on the amount assessed. If an application by the operator for a hearing is not made within the time prescribed, the tax, interest, and penalties, if any, determined by the Tax Administrator shall become final and conclusive and immediately due and payable.*

As a result, the City will begin to assess penalties in the amount of 10% beginning Friday July 1, 2016 and every month thereafter until the full amount, including any penalties, has been satisfied.

Please contact me at (310) 802-5555 or via email: scharelian@citymb.info

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve S. Charelian".

Steve S. Charelian
Revenue Services Manager
City of Manhattan Beach

cc: Bruce Moe – City Finance Director
MuniServices Inc., – Tax Arbitrator