



FAIR POLITICAL PRACTICES COMMISSION

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May 30, 2013

Mayor Eric Garcetti
c/o Attorney Stephen J. Kaufman
Kaufman Legal Group

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Advisory Letter Re: FPPC Case No. 13/333, Eric Garcetti

Dear Mr. Garcetti:

The Fair Political Practices Commission (the "FPPC") enforces the provisions of the Political Reform Act (the "Act"),¹ found in Government Code Section 81000, et seq. As you are aware, the FPPC's Enforcement Division has been reviewing whether, as a Council Member for the City of Los Angeles and subsequently as a candidate for Mayor of the City of Los Angeles, you were in violation of the Statement of Economic Interests disclosure provisions of the Act regarding your interests in real property located at 9687 Wilshire Boulevard in Beverly Hills, California, and any income derived from the property. The FPPC's investigation was opened as a result of a *Los Angeles Times* article concerning a possible interest you had in an oil company's lease of the property. However, because the oil lease pays you a total of \$1.25 per year, it proved to not be an economic interest and was appropriately not disclosed on the statements you filed.

Although the oil company did not prove to be a reportable interest, we did find that there have been technical disclosure issues with regard to your interests on several of your Statements of Economic Interests, Form 700, regarding the Beverly Hills property and the business that occupies the property as tenant. However, we also found that, although the interests were not disclosed properly, you did attempt to disclose these interests, albeit on the wrong Form 700 schedules, and there is no evidence to find that you intentionally violated the Act's disclosure requirements. It appears that an advisor helping you prepare the statements misunderstood the

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

nature of your property and rental income interests and advised disclosure that was inaccurate. Because of what appears to have been an inadvertent mistake, we are issuing the following advice to guide your future conduct.

The facts are that, although a family trust owns part of the Beverly Hills property, you, as a minority owner, own a share of the property directly and receive a share of the income paid by the tenant renting the property. You do not have a beneficial interest in the family trust; instead, your connection to the trust is that you receive the rental income the trust receives on behalf of all property owners and distributes to the minority owners.

The Act requires city council members, mayors, and candidates for those positions, to disclose the broadest range of financial interests on their regularly filed statements of economic interests. (GC §§ 87200, 87201, and 87203.) As a former city council member, a candidate for mayor, and now as mayor, you were and are required to disclose all sources of income and all interests in real property as well as all investments located in, or doing business in, the jurisdiction, which for you, is the City of Los Angeles. (GC §§ 87200-87210.) Section 82033 defines an "interest in real property" to include "any leasehold, beneficial or ownership interest or an option to acquire such an interest in real property located in the jurisdiction owned directly, indirectly or beneficially by the public official" while Section 82035 defines real property to be in the public official's "jurisdiction" with respect to a local government agency "if the property or any part of it is located within or not more than two miles outside the boundaries of the jurisdiction or within two miles of any land owned or used by the local government agency." Because the property located at 9687 Wilshire Boulevard in Beverly Hills is within two miles of the boundaries of the City of Los Angeles, it must be disclosed on your Statements of Economic Interests.

Under the Act, "income" is defined as "a payment received, including but not limited to any ... rent ... received by the filer..." and is reported on the Statement of Economic Interest when it aggregates to \$500 received in the reporting period. This \$500 reporting threshold is the reason the \$1.25 per year oil lease payment you receive is not required to be reported. (GC §§ 82030 and 87207.) "Income," other than a gift, does not include income received from any source outside the jurisdiction and not doing business within the jurisdiction, not planning to do business within the jurisdiction, or not having done business within the jurisdiction during the two years prior to the time any statement or other action is required to be filed. However, a source of income is "doing business in the jurisdiction" if that person has business contacts, which include providing services, on a regular or substantial basis with a person who maintains a physical presence in the jurisdiction of a public official. (Regulation 18230.) You receive more than \$500 a year from the tenant who operates a hair salon in the Beverly Hills property. As a hair salon, it appears reasonable to assume the business provides services to clients located two miles away in the City of Los Angeles and is, therefore, doing business in the jurisdiction.

Based on the foregoing discussion, two economic interests, in addition to the many other economic interests you have consistently and apparently accurately disclosed on your statements, are required to be disclosed: your interest in the real property located in Beverly Hills and your interest in the income you receive from the hair salon operating from the real property. Schedule B of the Form 700 accommodates both interests and you have now filed these schedules as

amendments to the statements on which previously you had mistakenly disclosed a beneficial interest in the trust and the income as "trust distribution."

We hope that the above explanation of your filing requirements assists you in future. If you have questions regarding this matter, please contact me at (916) 322-5660.

Sincerely,

 **REDACTED** 
Adrienne Korchmaros
Political Reform Consultant
Enforcement Division