



FAIR POLITICAL PRACTICES COMMISSION

1102 Q Street • Suite 3050 • Sacramento, CA 95811

September 13, 2024

Steve Ladwig

Via Email: sladwig@trinidad.ca.gov

Re: No Action Closure Letter: In the Matter of Steve Ladwig, FPPC No: 2020-00413

Dear Steve Ladwig,

The Enforcement Division of the Fair Political Practices Commission enforces the provisions of the Political Reform Act (the “Act”).¹ This letter is in response to two sworn complaints. The first alleged that you, in your capacity as a member of the Trinidad City Council, were in violation of the Act’s conflict of interest provision when participating in and voting on governmental decisions related to Short Term Rentals (hereafter, “STRs.”) The second alleged that you had failed to properly recuse yourself from a decision in which you purportedly had a conflict of interest. The Enforcement Division has completed its investigation and has determined that the violations have been disproven.

Under the Act, no public official may make, participate in making, or influence a governmental decision in which they have a financial interest.² A public official has a financial interest in a decision if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on the official, on a member of their immediate family, or on certain specified financial interests such as a business entity.³ A governmental decision, for purposes of the conflict of interest regulations, is defined as any action taken by a government agency that has a financial effect on any person other than the governmental agency making the decision.⁴ A financial effect means an effect that provides a benefit of monetary value or provides, prevents, or avoids a detriment of monetary value.⁵

A governmental decision will have a material effect on a business entity if the governmental decision would result in an increase or decrease of the entity’s annual gross revenues, or the value of the entity’s assets or liabilities, in an amount equal to or more than: a) \$1,000,000 or b) five percent of the entity’s annual gross revenues and the increase or decrease is

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014, and all statutory references are to this code. The regulations of the Fair Political Practices Commission are contained in sections 18104 through 18998 of Title 2 of the California Code of Regulations.

² Section 87100.

³ Section 87100 and Regulation 18700.

⁴ Regulation 18700, subdivision (c)(4).

⁵ Regulation 18700, subdivision (c)(5).

at least \$10,000.⁶ Additionally, a governmental decision will have a material effect on a business entity if the governmental decision would cause the entity to incur or avoid additional expense or to reduce or eliminate expenses in an amount equal to or more than: 1) \$250,000 or 2) one percent of the entity's annual gross revenues and the change in expenses is at least \$2,500.⁷

The complaint alleged that you participated in and voted on several governmental decisions related to the regulation of STRs. In particular, on March 27, 2020, you voted to approve a 90-day moratorium on STRs while State and County Shelter-in-Place Orders were in effect during the COVID-19 pandemic. At the meeting, you disclosed that you owned and managed an STR. You participated in the discussion but abstained from the final vote. The ordinance passed and was revived again in December 2020.

The governmental decision at issue was a moratorium on STRs and it is reasonably foreseeable that this decision would have a financial effect on your financial interest, income from your business of renting a STR. However, the investigation determined that the financial effect would not rise to the materiality standard set forth in the regulation. According to tax records, the business entity itself does not earn sufficient revenue to suffer a loss of \$1,000,000 and a five percent reduction in the entity's annual gross revenues would not meet the \$10,000 threshold. Therefore, this allegation has been disproven.

The Trinidad City Council also put forth a ballot measure to increase the Occupancy Tax from 8% to 12%. Though you did not participate in the vote to place this measure before the voters, you did participate by signing on to the Arguments in Favor of the measure and the Rebuttal to the Arguments in Opposition to the measure. However, the evidence shows that the financial effect of the increase to the Occupancy Tax would not rise to the materiality standard set forth in the regulation. Therefore, this allegation has been disproven.

On December 15, 2020, you, in your capacity as a member of the City Council, recused from the City Council meeting. You disclosed that you had a potential conflict of interest with respect to discussion item, STRs. The meeting was virtual. You turned off your camera and did not participate in the meeting. Regulations require that officials who have a financial interest in a decision should recuse themselves in the following manner: following the announcement of the agenda item to be discussed or voted upon but before the discussion commences, the public official must publicly identify the disqualifying conflict of interest, recuse, and then leave the room. By leaving the room, the official is not able to influence through non-verbal means, participate in the discussion, or vote on the matter. Your actions effectuated a recusal in the virtual setting and therefore, we find insufficient evidence of a violation.

Based on the foregoing, we have closed our investigation into this matter. Please note that the Fair Political Practices Commission only regulates violations of the Political Reform Act and Government Code Section 1090. The Fair Political Practices Commission does not have jurisdiction on other conflict of interest provisions in statute or in common law. Should you need guidance regarding the Act's conflict of interest provisions for future governmental decisions

⁶ Regulation 18702.1, subdivision (a)(2).

⁷ Regulation 18702.1, subdivision (a)(3).

involving STRs, contact the Commission's Advice team by calling 1-866-275-3772 or sending an email to advice@fppc.ca.gov. There is also information pertaining to the conflict of interest provisions available on the Commission's website, www.fppc.ca.gov.

Should you have any questions regarding this letter, please feel free to contact me at (279) 237-5960 or Tgilbertson@fppc.ca.gov.

Sincerely,



Theresa Gilbertson
Senior Commission Counsel
Enforcement Division

CC: Sworn Complainant, Kathleen Lake