January 26, 2025

Los Angeles City Council
Los Angeles City Hall
200 N Spring Street
Los Angeles, CA 90012

RE: Oppose CF 26-0088 (Raman & Harris-Dawson), Tax Breaks for Developers

Dear Honorable Members of the City Council,

The United to House LA coalition (UHLA) calls on the city Council and Mayor Bass to **oppose this motion to amend Measure ULA** in order to give tax breaks to developers by cutting revenues from permanent housing solutions for low-income people. UHLA further opposes anticipated amendments that would further damage revenues for homelessness prevention and affordable housing by taking ULA funds for interim housing and Inside Safe. Below, we detail the reasons this motion should be rejected, in order to protect the City's greatest tool to address our housing affordability and homelessness crises.

UHLA remains committed to ongoing evaluation of data concerning ULA and its impacts (including analysis we summarize below). We have stayed in regular conversation with elected officials and groups who have given attention to the matter and we prioritize thoughtful and thorough review of data and policy considerations. However, <u>the way in which this motion was introduced is the opposite of an intentional policy deliberation that the City is known to do</u>. Motion CF 26-0088 was introduced last minute on a Friday afternoon and will be voted on two business days later on a Tuesday. In doing so, Councilmember Raman and Council President Harris-Dawson are choosing to skip over consideration by at least two council committees, the ULA Citizens Oversight Committee, and meaningful public deliberation. There were no reports called for nor delivered by city departments providing relevant data analysis. There was no consideration of public input. Instead, the motion authors are choosing an **anti-democratic pathway to bypass public input** on proposed changes to ULA that would never have been possible without voters passing it overwhelmingly.

I. Proposed Tax Breaks for Commercial, Industrial and Residential Developers Harm Angelenos by Severely Cutting Funds to Prevent Homelessness, Build Affordable Housing and Create Good-Paying Jobs.

Possibly greater than 30% of ULA funds could be lost to developer tax breaks proposed in the Raman motion. At such a cost, $116 million would have been removed from the current fiscal year's expenditures. Revenues would be diminished by the proposed tax breaks in multiple ways.

This last-minute tax-break proposal is apparently intended to encourage new construction, but, most of the revenue lost from ULA programs for low-income renters would do nothing to encourage new construction. By defining new construction as **projects that received a certificate of occupancy in the last 15 years**, this proposal would divert tens of millions of dollars next year and for years to come to provide tax breaks for projects that have already been built. What purpose is served by exempting construction that was completed in 2015 and sold next year? There is no policy that the city council can adopt today that would change the number of units built in the past.

At the same time, there is no verifiable evidence that developer tax breaks for new construction would stimulate a meaningful increase in housing units produced either. As discussed below, real estate interests have pushed narratives suggesting ULA was the cause for declines in real estate activity; however these analyses have been shown to be deeply flawed, cover abnormally short time frames, fail to account for confounding variables, misuse data, bias the results by excluding relevant data and makes unsubstantiated bold claims. At the same time, development metrics tell a different story of steadily rising real estate activity.

Similarly, an exemption for **substantial renovation** also does nothing to encourage new construction. None of the reports or academic analyses of Measure ULA have evaluated the impact the tax has on rehabilitation or renovation of existing housing, so there is no empirical evidence that this exemption would be necessary to achieve the motion's goals. At best, this will create a major loophole that will divert capital into the minimal renovations necessary to achieve an ongoing tax break rather than be put to productive uses like actual construction of new housing.

Tax breaks for commercial and industrial property sales are proposed in this motion and also have no effect on the purported intention of stimulating new housing construction. Along with the unnecessary proposed tax breaks for market-rate residential developers, these are simply **giveaways to corporate real estate interests** drawn out of programs supporting low-income Angelenos.

These major cuts would come from ULA programs that in under three years have had a significant impact on housing security and affordability for tens of thousands of Angelenos. Some of ULA's impacts to date, include:

- **$1.032 billion raised by Measure ULA for the City**, as of November 2025
- **Funded the construction of 795 affordable homes**. 292 units are already completed and leased up. Projects that will create hundreds to thousands of new affordable homes will soon be awarded funds from a $387 million affordable housing funding availability, 80% of which comes from Measure ULA
- Tenant outreach and education programs have **reached more than 150,000 LA renters**
- **Over 11,000 households served by ULA-funded legal services**. Nearly 80% of households served are extremely low-income and at high risk of homelessness. The majority of households served are disabled, elderly, or have children
- **Kept 10,000 Angelenos in their homes** through rental assistance and income support
- Accelerated the creation of **thousands of construction jobs**.

A. The "Sky is Falling" Narrative that ULA Slows Development Falls Flat In Light of an Honest Look at Development Metrics

Like cities across the country facing rising costs due to spikes in interest rates, insurance premiums and the cost of construction materials, Los Angeles has seen a decline in real estate activity in recent years. Even still, the LA real estate market has demonstrated strong signs of confidence despite the effects of these macroeconomic factors and despite claims made that ULA has been responsible for any measured declines. Indeed, there has been a corporate-backed campaign to undermine ULA ever since voters passed it in 2022. Big real estate investors and developers do not want to pay the tax and have sought to smear ULA's reputation to serve their interests. This 2024 academic report outlines many of the early efforts to circumvent and undermine ULA. The attacks and allegations by the industry have continued over the last couple years.

1. The LA Real Estate Market Remains Relatively Strong Despite the Big Lie that ULA is Slowing Housing Construction

For the last year, the coordinated real estate attacks have alleged that ULA is slowing housing construction. Yet, the truth has been obfuscated. ULA went into effect at a time when interest rates, insurance premiums and construction material prices were peaking. Cities across the country have experienced declines in real estate activity due to these major economic forces.

Even still, development metrics in LA have been trending upwards in recent years. Consider these metrics at each major stage of the housing development process:

a. **Real estate transactions** paying the ULA tax have risen consistently, quarter by quarter since ULA went into effect.

b. **16,000 new housing units were proposed in new project applications or pre-applications** in the first six months following the passage of the City's new rezoning plan and Citywide Housing Incentive Program (CHIP) in February 2025. This represents a surge of applications that suggests many developers were waiting on the sidelines while the CHIP faced a multi-year delay.
c. **Housing entitlements** rose over 50% from 2022-2024.
d. Hilgard Economics reports show that **residential construction permits** rose 60% year over year in Q3 and 30% in Q4 from 2024 to 2025.

Some real estate industry outlets have begun to acknowledge these uptrends, including in a story last week entitled, "LA multifamily investment grows despite Measure ULA, rising vacancy."

2. Academic Report Debunked the Much-Cited UCLA Lewis Center's Report For Deeply Flawed Analysis and Incorrect Conclusions

The only academic analysis we are aware of that purports to find a negative impact on new housing construction from Measure ULA is a paper authored by Philips and Ward and released by the Lewis Center. These findings have not appeared in a peer-reviewed journal, nor have the authors made their data available for others to confirm their analysis. In fact, other researchers and academics have pointed out serious flaws in the Philips/Ward analysis. A 2025 report by researchers at USC, UCLA, Occidental College and Public Counsel found that "the **methodological flaws and limited, imprecise, and misused data** found in the Ward and Phillips report raise significant questions about the report's claim of a "robust causal linkage" between Measure ULA and multifamily housing production."

Among other issues, the paper bases its estimate of the impact of ULA on new construction on a sample of only 27 projects and does not control for any confounding variables, such as changes in interest rates, capitalization rates, construction costs, or zoning. Perhaps most concerning, the **paper's conclusions do not appear to consist with its own data**, which does not appear to show any reduction in the units permitted per month on property sold after ULA went into effect.

In sum, there has been no reliable academic analysis finding that measure ULA has had a negative impact on housing construction in Los Angeles. Moving forward with a drastic policy proposal without any reliable data is certainly premature.

B. By Introducing Developer Tax Breaks, This Motion Creates a Self-Fulfilling Prophecy in which Developers Delay their Activity While Waiting for Possible Amendments

ULA has not existed during a period without market manipulation resulting from large property owners seeking to take advantage of changes anticipated from some legislative or legal action. As soon as Measure ULA passed, opponents filed three lawsuits attempting to overturn the measure. After hundreds of properties were sold off in the couple months prior to the measure taking effect in April 2023, property owners hoped for a favorable decision out of the courts, which then never came. In 2024, the promise of a statewide ballot measure that would have repealed ULA likely kept more property owners on the sidelines while they waited to see the results. In 2025, Sacramento legislation gave real estate interests a new round of hope that changes to ULA would be coming. In each case, there are noticeable slowing periods in the data around each of these milestones. It is likely that motion 26-0088 now has created a new period during which some large property owners and developers will wait and see what happens for another six to twelve months.

As mentioned above, real estate activity has been trending upwards suggesting the tax is not stopping transactions or new housing construction. However, every single data point is compromised by the relentless signaling developers have gotten from these premature efforts to change ULA. A certain number of developers will do again as they did before: withhold their capital in hopes that they can avoid paying the transfer tax to maximize their profits.

Instead, the City Council should give ULA time to operate without creating incentive for developers to not build more housing. Then we can have a clear-eyed evaluation of how the market reacts to ULA.

C. ULA Is a Perpetual Economic Engine for Los Angeles, Creating New Housing, New Jobs and Increased Investment by Angelenos Who Fare Better Thanks to Lower Housing Costs and Higher Incomes Generated by ULA.

If left alone, **every year ULA will invest hundreds of millions of dollars** into neighborhoods across the city. Hundreds to thousands of **new homes will be built** each year and thousands of new construction jobs created. <u>These perpetual investments will have a compounding effect</u> on the local economy as more ULA-funded construction expands and as more households increase their disposable income.

Each year that ULA keeps more people from becoming unhoused and places more Angelenos into housing they can afford, several thousand more people will have **lower housing costs** and more working families will have **higher incomes** from ULA-created construction and public sector jobs. A direct result of ULA investments means Angelenos will be able to **spend more dollars at local businesses** and for local services. ULA strengthens our local economy.

ULA is a perpetual economic engine that will make our neighborhoods more beautiful and vibrant thanks to steady investments in housing and in the people of Los Angeles.

II. Anticipated Interim Housing Proposal Would Cut 20% of ULA Revenues - around $80 million per year - from Homelessness Prevention and Affordable Housing Programs.

We understand Mayor Bass would like to amend the CF 26-0088 motion to include cutting 20% of revenues from ULA programs and committing those dollars instead to interim housing. If in place today, that would have cut over $78 million from permanent housing solutions funded by ULA. Such a move would mimic - and exacerbate - changes made by the Trump Administration to move millions of dollars away from permanent housing into temporary housing strategies. Los Angeles needs

The City does not need ULA dollars to cover requirements under the LA Alliance Settlement. It has been suggested that ULA dollars should be diverted to interim housing in order to alleviate the financial burden - and subsequent job cuts - caused by interim housing bed requirements under the Alliance Settlement. However, this is not true, for the following reasons:

- No general fund dollars have been spent to meet the Alliance goals. The risks of layoffs are due to structural deficits, not spending on the Alliance. For the remaining 1550 units, general funds have never been mentioned as a source of potential funding.
- The City of Los Angeles already has a plan with specific revenue sources identified to cover the completion of the remaining beds/units required[1]. LAHSA released the first RFP to fund 450 units today (Jan 22). Revenue sources already identified in the City's plan include HHAP, LACAHSA RPHP and Measure A Local Solutions fund.
- The City (H&H only, going to Council) just allocated $29M in LACAHSA funds to HACLA for 295 units, all of which will be ELI and VLI with rental subsidies. The city could require ELI units to work with CES and count toward Alliance goals.

ULA funds are already supporting the City's requirements under the Alliance settlement by funding the construction of permanent supportive housing (PSH) units, including , e.g, Rousseau Residences, Montesquieu Manor, Voltaire Villas and Santa Monica & Vermont Apartments. Additional PSH and/or ELI units are likely to be funded under the current NOFA, with award announcements expected in February 2026.

III. Technical Changes Supporting Affordable Housing Production and Contracting Can Be Meaningfully Addressed without Going to the Voters

The motion includes four "Affordable Housing Production Technical Changes" and one listed under "Constracting." These do not need to go before voters and without thoughtful deliberation over very technical language could lead to unintended consequences. The motion does not offer

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https://lacity.primegov.com/api/compilemeetingattachmenthistory/historyattachment/?historyId=305aece9-b593-4529-abd7-a9ca597637cb enough detailed information to understand whether these amendments would be effective or harmful, which is made worse by the lack of public input and process associated with this motion.

Instead, the intended outcomes of these proposals can be achieved through City Council legislative action. If left to the vehicle of a ballot initiative, the outcomes will not benefit the affordable housing projects that will be funded as part of the NOFAs released in the fall of 2025 and the spring of 2026. Narrowly-scoped amendments passed by City Council can achieve the intended objectives.

IV. This Motion Does Not Address the Threats Against ULA and Local Revenue Generation Statewide by the Howard Jarvis Taxpayers Association (HJTA) and their Partners

The threat of a HJTA campaign has been used as reason to reform Measure ULA on a number of occasions. While we agree that a top priority is stopping the HJTA efforts to pass a constitutional amendment that would eliminate local revenues across the state - and the UHLA coalition as acted in accordance with this goal - this motion does nothing to address the current threat or prevent future attempts.

The City should focus on supporting the passage of ACA 13, which is already on the statewide ballot for November. This would require HJTA and similar measures to meet the same voter threshold requirements they are seeking to impose on local jurisdictions. By passing ACA 13, we can effectively eliminate the threat of the current HJTA effort and future ones.

Thank you for your consideration.

Joe Donlin
Director, United to House LA