



United to House LA

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FIRST ANALYSIS OF POST-ULA TRANSACTIONS AND FEASIBILITY SHOWS THAT MEASURE ULA WAIVERS WOULD HAVE LITTLE EFFECT ON DEVELOPMENT

Link to [full report](#)

LA city hall ULA exemption proposal would take from homelessness efforts and give to investors without spurring housing

LOS ANGELES, CA—A [new report](#) issued by the real estate advisory consultancy [BAE Urban Economics](#) demonstrates that...

- development is very difficult in Los Angeles for many different types of buildings
- the reasons for that have little to do with Measure ULA, and
- the proposal before the Los Angeles City Council to waive ULA for any construction newer than 15 years would make **very few projects feasible**, and instead simply **give a subsidy** to projects that are already feasible—or will be if owners wait eight years or more to sell
- those projects would largely be built to **flip quickly** and **charge high rents**

“To understand how ULA may or may not affect development, BAE asked a very simple question—how do developers and investors determine whether and when a project will ‘pencil out’?” said **Alan Greenlee**, executive director of the Southern California Association for Non-Profit Housing. “This report examines development scenarios based on the financial models that real developers use. It shows that there are plenty of reasons that development would be slow in Los Angeles right now. There are very few kinds of

developments that are unprofitable now but would suddenly make money if ULA were waived.”

The report shows that “external economic factors essential to housing development such as plateauing asking rents in the Los Angeles submarket, lending costs, rising capitalization rates, and other factors, currently have a larger impact on financial feasibility than the ULA tax itself.”

Previous reports, such as several released by the UCLA Lewis Center, have attempted to correlate the establishment of the Measure ULA tax to declines in development activity in the city of Los Angeles. The methodologies used to establish those correlations and exclude factors such as interest rates, insurance rates and other political factors have been [criticized](#).

However, by employing the financial models that developers use, known as “pro formas,” the BAE study shows how different factors affect the feasibility of different types of buildings. In most scenarios, it turns out, the value of waiving the ULA tax does not change whether or not a project is financially feasible.

The report shows that to be profitable in current economic conditions, a typical development needs to charge rents at the 75th percentile or higher. Developments with lower rents don’t pencil out for reasons that have nothing to do with Measure ULA. For projects at the 75th percentile of market-rate rents, there are examples of projects that wouldn’t be profitable to sell in the first seven years, but those projects turn feasible simply by waiting to sell until year 8 or later. The difference between a profitable and an unprofitable development is chiefly a matter of timing the sale.

“The city of LA did not have enough funding to keep tenants protected, to house the unhoused, and to provide the amount of permanent affordable housing needed for working class people, so ULA’s really been a game changer,” said **Tara Barauskas**, executive director of Community Corporation of Santa Monica. “Talking about exemptions for these other development types would be severely detrimental. When affordable housing funds in California are oversubscribed by levels often as high as seven to one, do policymakers want to make that trade?”

“Measure ULA is the largest local affordable housing and homelessness prevention fund in the country, and it’s working,” said **Joe Donlin**, director of the United to House LA coalition, which advocated to pass, implement and defend the measure. “Before policymakers start weakening or cutting it based on complaints from the real estate industry and loose correlations, they should see how the numbers add up. This report shows that waiving ULA won’t make infeasible projects magically feasible—but it will hand money over to developers whose projects are aimed at the affluent, built to flip, and already feasible.”

The report examined nearly three years (33 months) of transactions that were subject to Measure ULA, including both multifamily and commercial property sales. It found that in both cases, the vast majority of transactions were more than 7 years old.

“This report affirms that the ULA tax, for the vast majority of investors in rental housing construction, isn't a material concern, and that the Los Angeles real estate story is unfolding predictably in the wake of its passage,” said **Ted Chandler**, a senior advisor to the AFL-CIO Housing Investment Trust. “After a period when transactions slowed, sellers adjusted and, as reported widely, now they sell. It’s like they’re passing through the stages of grief from denial and anger through bargaining and depression to—finally—acceptance. Meanwhile, the city of Los Angeles is about to unveil the results of the biggest affordable housing availability in its history—and given the housing crisis, not a moment too soon with not a penny to waste.”

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About BAE

BAE is an innovative, award-winning urban economics and real estate advisory consulting practice. Since 1986, we have completed over 2,100 assignments for clients across the US including public agencies, non-profit organizations, universities, and private developers. Our work emphasizes the triple bottom line of economics, equity, and environment. BAE is a certified green company and is both a Small Business Enterprise (SBE) and a Minority Business Enterprise (MBE).

About United to House LA

United to House LA brings together a unique coalition from the labor movement, affordable housing developers, and social justice and community-based organizations to work on the common goals of affordable housing, homelessness prevention, tenant protection, and good-paying jobs in the city of Los Angeles. The Coalition consists of over 240 organizations that worked to pass Measure ULA on the November 2022 ballot and which continue to advocate for the implementation of one of the most progressive and transformative affordable housing measures in the United States.