

# MEASURE ULA: MANSION TAX

## WHAT IS MEASURE ULA?

Measure ULA (United to House LA) is an ordinance designed to increase transfer tax rates in the City of Los Angeles on real estate sales valued at \$5 million or more. In short, a tax of 4 percent of the total sale price will be imposed on the sale of properties valued between \$5 million and \$10 million. If the property is valued at \$10 million or more, the sale will be subject to a 5.5 percent tax. Compared to the current tax rates, when the value of the property exceeds \$100, the city tax rate is at 0.45%. Under this measure, our transfer tax rate will increase by approximately 10X!

## IS THIS NEW MEASURE REALLY GOING TO HELP?

This new ordinance was created to address the ongoing housing crisis and help reduce homelessness. At first glance, that is a noble cause that led many to believe that this might be the right solution. But if people will take a second or third look and think of the possibilities in the future ahead, people will change their minds about this new measure. That's the very reason this new measure was passed with only a 4.79% advantage of the total number of votes.

In the last mid-term elections, the ULA: Mansion tax received a total of 316,136 Yes votes versus 260,852 No votes. That's 54.79% of the total votes. The drastic increase in the transfer tax amounts of "high-value" real properties within the boundaries of the city will take effect on April 1, 2023.

According to an analysis of Measure ULA that was done in September 2022, this new tax rate will affect approximately 4% of Los Angeles' real estate transactions each year, but why is it that almost half of the total number of residents are against this new measure?

## HERE ARE OUR KEY FINDINGS

- 13% of all funds will be spent on administrative and overhead costs.
  - If the tax was in place in the fiscal year 2021-22, it would have raised roughly \$923 million. That's \$120 million that could have been used to build more affordable housing units.

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- A similar measure was created eight years ago but our politicians have failed to deliver on their promise.
  - The \$1.2 billion bond Measure HHH was supposed to allow the construction of 8,000-10,000 units of safe, clean affordable housing for the homeless and for those in danger of becoming homeless, such as battered women and their children, veterans, seniors, foster youth, and the disabled.
  - 75% of the tax will be derived from owners of apartments and commercial properties. Landlords and investors will demand higher rents for apartments to offset this exorbitant tax to achieve the desired return on investment.
- The Real Estate sector will be severely impacted. This new measure will turn away Real Estate developers and investors.
  - New apartment, office, commercial, and industrial construction opportunities in the city will be rejected by real estate developers and their investors.
  - They will probably also reject adaptive reuse initiatives that, under the new state statute, would add a large amount of additional housing.
- A separate measure was proposed also designed to increase the property tax Los Angeles residents are already paying. Measure SP would levy an 8.4 cents per square foot parcel tax on all residential and commercial structures in the city of Los Angeles. The tax is expected to raise \$227 million a year, which would be used to enhance, develop, acquire, and maintain public areas including parks, museums, and waterways like the L.A. River.
  - This measure was voted no in the last mid-term election but together with Measure ULA, employers and businesses are given a very clear message. That they are targets for increased taxes.

## CONCLUSION

Measure ULA is the biggest property tax hike in Los Angeles in so many years. A staggering increase 10-folds of the current rate. Every single one of the Los Angeles residents will experience the long-term negative effect of this new measure. Prices of basic needs like food, rent, and healthcare will increase, and development opportunities in the Real Estate sector will be lost. Put simply, this new measure will not help at all. There has been significant funding thrown at this issue for years, and our leaders have squandered it. There is no reason to believe that this will help those it is purporting to help. We believe it will do the opposite as it further reduces the incentive to develop housing in Los Angeles.

We shouldn't be adding any taxes that make it more costly to live or work in Los Angeles, especially at a time when inflation is over 8% and at a 40-year high. And Measures ULA and SP are specifically designed to do this.