

RESOLUTION

Resolution providing the text of a ballot measure to be submitted to the qualified voters of the City of Los Angeles.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES AS FOLLOWS:

Section A. The following ordinance of the City of Los Angeles is hereby proposed to be submitted for approval by a two-thirds vote of qualified voters of the City of Los Angeles at a Special Election to be called and consolidated with the State's General Election held on November 3, 2020:

ORDINANCE NO. _____

An ordinance amending Chapter II of the Los Angeles Municipal Code by adding new Article 1.18 to provide funding for affordable housing and rental programs and homeless services and facilities within the City of Los Angeles through the imposition of a special parcel tax on vacant parcels and unoccupied units within the City of Los Angeles.

WHEREAS, on June 16, 2020, the Chief Legislative Analyst issued a report on the present state of enacted vacancy property taxes in California, Washington D.C., Vancouver, British Columbia and elsewhere ("Vacancy Tax Report") in reference to the Blue Sky Consulting Group report entitled "Feasibility of a Vacant and Unoccupied Parcel Tax for the City of Los Angeles" dated December 19, 2019;

WHEREAS, together with the Vacancy Tax Report, the Los Angeles Housing and Community Investment Department issued a separate report analyzing the number of vacant residential units within the City of Los Angeles ("Vacancy Report");

WHEREAS, the Vacancy Report noted that an estimated 85,000 to 100,000 unoccupied residential units existed within the City of Los Angeles based on two separate methodologically reasonable vacancy rate studies;

WHEREAS, the Vacancy Report further notes that the City is presently facing an affordability housing shortage and expected to continue to do so in the future, and the Southern California Association of Governments has preliminarily determined that the City of Los Angeles requires over 260,000 affordable housing units to serve its population;

WHEREAS, to increase the funding needs for affordable housing and rental program and homeless, resources, services, and facilities, the City Council of Los Angeles proposes the placement of a special tax entitled the "Los Angeles Vacant Property Tax Act" before the voters;

WHEREAS, the revenue generated from the proposed special tax would fund affordable housing and rental programs and homeless services and facilities, in addition to incentivizing the development and the return of underdeveloped or unoccupied properties to the open market; and

WHEREAS, to ensure that the revenue from the special parcel tax are used exclusively for purposes provided herein, said revenue shall be subject to the oversight of the Linkage Fee Oversight Committee, Los Angeles City Council, and Mayor.

NOW, THEREFORE,

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Article 1.18 is added to Chapter II of the Los Angeles Municipal Code to read:

ARTICLE 1.18

LOS ANGELES VACANT PROPERTY TAX ACT

SEC. 21.18.1. TITLE.

This article may be referred to as the Los Angeles Vacant Property Tax Act.

SEC. 21.18.2. DEFINITIONS.

The following words and phrases whenever used in this article shall be construed as defined in this section:

- (a) **“building”** shall have the same meaning found under Section 12.03 of Article 2 of Chapter 1 of the Los Angeles Municipal Code.
- (b) **“City”** shall mean the City of Los Angeles, a municipal corporation.
- (c) **“corporation”** shall mean an entity described under 26 CFR 301.7701-2(b) and California Civil Code Section 1946.2(e)(8)(i)-(iii).
- (d) **“County”** shall mean the County of Los Angeles.
- (e) **“Owner”** shall mean the person owning, claiming, possessing, or controlling the parcel as of the lien date.
- (f) **“parcel”** shall mean a unit of real property as shown on the last equalized assessment roll of the County of Los Angeles.

- (g) **“person”** shall mean an individual, corporation, partnership, trust or estate, joint-stock company, association, limited liability company, syndicate, group, pool, joint venture or other unincorporated organization or group.
- (h) **“residential unit”** shall mean a building, or portion thereof, designed for or occupied exclusively by one household, including unrelated individuals who live together and maintain a common household.
- (i) **“multifamily residential property”** shall mean a parcel that is improved with more than one legally permitted residential unit.
- (j) **“single-family residential property”** shall mean a parcel that is improved with only one residential unit.
- (k) **“Special Tax”** shall mean the Los Angeles Vacancy Property Tax Act authorized by this article.
- (l) **“Use”** shall mean the purpose for which land or a building is arranged, designed or intended or for which either land or a building is or may be occupied or maintained.
- (m) **“unoccupied”** shall mean the lack of a habitual physical presence by the owner, an individual, or individuals on a day-to-day basis.
- (n) **“vacant mixed-use parcel”** shall mean a vacant parcel that is zoned for both: (i) at least one allowable residential unit, and (ii) commercial Use.
- (o) **“vacant multifamily residential parcel”** shall mean a vacant parcel situated in an area zoned for more than one legally permitted residential unit.
- (p) **“vacant single-family residential parcel”** shall mean a vacant parcel situated in an area zoned for one residential unit.
- (q) **“vacant”** shall mean the absence of a permanent legal building.

SEC. 21.18.3. SPECIAL PARCEL TAX.

(a) As provided under this article, there is hereby imposed a Special Tax on the following properties or parcels situated in the City:

- (1) an unoccupied single-family residential property, having an Owner that is a corporation;

- (2) a multifamily residential property with all its residential units unoccupied;
- (3) a vacant single-family residential parcel measuring 20,000 square feet or less, having an Owner that is a corporation;
- (4) a vacant single-family residential parcel measuring 20,001 square feet or more, having an Owner that is a corporation;
- (5) a vacant multi-family residential parcel measuring 20,000 square feet or less;
- (6) a vacant multi-family residential parcel measuring 20,001 square feet or more; and
- (7) a vacant mixed-use parcel measuring 87,120 square feet (2 acres) or more.

(b) The Special Tax under this article constitutes a debt owed by the Owner to the City.

SEC. 21.18.4. SPECIAL TAX RATE.

- (a) The Special Tax to be imposed shall be as follows:
 - (1) \$6,000 for properties described under paragraph 21.18.3(a)(1) and (2).
 - (2) \$5,000 for parcels described under paragraph 21.18.3(a)(3).
 - (3) \$5,000, plus an additional \$1,000 for every 20,000 square feet or fractional part thereof in excess of 20,001 square feet for parcels described under paragraph 21.18.3(a)(4).
 - (4) \$10,000 for parcels described under paragraph 21.18.3(a)(5).
 - (5) \$10,000 plus an additional \$2,000 for every 20,000 square feet or fractional part thereof in excess of 20,001 square feet for parcels described under paragraph 21.18.3(a)(6).
 - (6) \$5,000, plus an additional \$1,000 for every 20,000 square feet or fractional part thereof in excess of 87,120 square feet for parcels described under 21.83.3(a)(7).

(b) City Council may, by ordinance, establish a Special Tax rate less than the rate provided in Subsection (a). Following any such decrease in the Special Tax rate,

the City Council may, by ordinance, increase the Special Tax rate to an amount not to exceed the rate provided in Subsection (a).

SEC. 21.18.5 EXPIRATION OF THE SPECIAL TAX.

The Special Tax shall expire 20 years after it is first levied. By way of example only and without limiting the generality of the foregoing, if the tax was first levied in the 2021-22 tax year, the 2040-41 tax year would be the last year in which it may be levied. The voters of the City may amend the term of the tax at any time prior to its expiration.

SEC. 21.18.6 COLLECTION OF THE SPECIAL TAX.

(a) City Council may provide for the imposition of the Special Tax in the same manner and subject to the same penalties as, or with, other charges and taxes fixed and collected by the City, or by the County on behalf of the City.

(b) Unless the City Council seeks another method for collection of the Special Tax, such tax shall be levied and collected by the County in the same manner as the ad valorem property tax bill, at the same time and manner, and subject to the same penalties and procedures as ad valorem property taxes collected by the County, except as otherwise set forth in this article.

(c) If the City Council selects collection by the County, the Special Tax shall be imposed on the ad valorem property tax bill for the fiscal year beginning July 1 following the end of the calendar year. The Special Tax shall be first imposed no sooner than the ad valorem property tax bill for the fiscal year beginning July 1, 2022 with respect to parcels described in Section 21.18.3 during the previous calendar year.

SEC. 21.18.7. DETERMINATION OF VACANCY AND UNOCCUPIED

(a) Parcels described in paragraph 21.18.3(a)(1) shall be deemed unoccupied if unoccupied for three hundred fifteen (315) days or more in a calendar year.

(b) Parcels described in paragraph 21.18.3(a)(2) shall be deemed unoccupied if all the residential units within the parcel are unoccupied for three hundred fifteen (315) days or more in a calendar year.

(d) Parcel described in paragraphs 21.18.3(a)(3) through (7) shall be deemed vacant if not in Use for three hundred fifteen (315) days or more in a calendar year.

(f) The City Council shall establish, by ordinance, a method for determining and identifying the vacant and unoccupied parcels subject to the Special Tax under this article.

SEC. 21.18.8. EXEMPTIONS.

(a) The following Owners of parcels described in Section 21.18.3 shall be exempt from the Special Tax imposed under this article:

(1) an Owner upon which the imposition of this Special Tax would be in violation of either the Constitutions of the United States or the State of California;

(2) an Owner that is the federal government, the state government, local government, or any federal, state, or local government agency or district;

(3) an Owner that is a non-profit organization or entity owned or controlled by a non-profit organization;

(4) an Owner who qualifies as very low-income, as the term "very low income" is applicably defined for the City by the U.S. Department of Housing and Urban Development or its successor department or agency;

(5) an Owner for whom the payment of the tax imposed by this article would be financial hardship due to specific factual circumstances;

(6) an Owner whose property is vacant as a result of demonstrable hardship that is unrelated to the Owner's personal finances;

(7) an Owner who can demonstrate that exceptional specific circumstances prevent the Use or development of the parcel. By way of example only and without limiting the generality of the foregoing, exceptional specific circumstances that prevent the Use or development of the parcel include damage by a recent natural disaster, a vacant parcel adjoining a residential parcel with residential units and used by the occupants as part of the yard, and parcels with physical conditions that prevent development. The details of this exemption shall be further defined by a separate ordinance of City Council;

(7) an Owner of a parcel that is under active construction. To qualify for this exemption, an Owner must call for inspections of the construction with sufficient frequency to keep the building permit or permits active;

(8) an Owner of property for which an active building permit application is being processed by the City;

(9) an Owner, regardless of age, who receives (i) Supplemental Security Income for a disability, or (ii) Social Security Disability Insurance benefits regardless of age and whose yearly income does not exceed 250 percent of the most recent federal poverty guidelines applicable for the City that are issued by the United States Department of Health and Human Services;

(10) an Owner (1) who is 65 years of age or older and (2) who qualifies as “low income” as the term “low income” is applicably defined for the City by the United States Department of Housing and Urban Development; and

(11) an Owner of a parcel included in a substantially complete application for planning approvals that has not yet received approval. An Owner of a parcel for which a project with development entitlements have been approved but needing time for completion may apply for and receive an administrative two-year exemption.

(b) The City, in a separate ordinance, shall establish the procedures and guidelines for owners to apply for, and grant, the exemptions identified in this section. Owners who claim an exemption may be required to submit information annually to substantiate their continuing qualification for the exemption.

(c) City Council may, by ordinance, establish such other exemptions to the tax imposed by this article and the authorized methods of collection of the Special Tax, as it determines to be appropriate.

(d) City Council may, by ordinance, provide supplemental definitions for the exemptions in this section and for the administration of the exemptions as part of the collection of the Special Tax.

(e) City Council may, by ordinance, provide supplemental definitions for exemptions in this section and for the administration of the exemptions as part of the collection of the Special Tax.

SEC. 21.18.9. LOS ANGELES VACANT PROPERTY TAX FUND.

There is hereby established a special fund in the City Treasury entitled “Los Angeles Vacant Property Tax Fund” (“Fund”). Monies from the Special Tax, including penalties, shall be deposited into the Fund. Monies deposited in this special tax fund shall not be subject to reversion to the Reserve Fund, established under Charter Section 302. Monies of the Fund may be deposited in an interest bearing account. Nothing in this section shall prevent the use of these monies to reimburse the General Fund when money is advanced from the General Fund to pay for the purposes provided for in this article. All interest earnings generated by monies on deposit in the Fund shall remain in it to be used only for the purpose for which the Special Tax in this article is imposed.

SEC. 21.18.10. PURPOSE OF THE SPECIAL TAX

(a) Monies associated with the Special Tax shall be used for the purposes identified in this section.

(b) Tax proceeds may be used to provide services, resources, and programs to homeless people, to reduce homelessness, and to support the protection of existing and production of new housing affordable to lower income households as defined in California Health and Safety Code Section 50079.5 at an affordable housing cost or affordable rent as defined in Health and Safety Code Section 50053. Examples of such uses include, but are not limited to:

(1) job training, apprenticeship, pre-apprenticeship, drug treatment, and job readiness assistance programs for homeless people or those at risk of becoming homeless;

(2) assistance connecting homeless people or those at risk of becoming homeless with available services and resources, including assistance applying for housing or public benefit programs;

(3) housing assistance, including the provision of temporary housing or move-in expenses, such as first-month's rent and a security deposit, and rental assistance;

(4) sanitation, bathroom, and cleaning services related to homeless encampments, and programs to supplement remedying and deterring blight and illegal dumping throughout the City;

(5) incentive programs to encourage property owners to make space available for low-income housing, including making funds available for physical improvements to enable a unit to be used for a voucher-based housing program;

(6) relocation assistance funding for low-income households facing displacement;

(7) financial assistance for the design, development, construction or operation of affordable housing units, including housing alternatives such as, without limitation, shipping container homes, accessory dwelling units and small homes;

(8) accessibility support to provide or maintain housing, and make needed improvements for accessibility, for seniors and persons with disabilities;

(9) displacement prevention, tenant education and assistance, emergency rent assistance;

(10) navigation centers to provide space for people to stay, along with on-site support services for the homeless. Funding may be used for both capital and operating costs related to navigation centers;

(11) code enforcement and cleanup of blighted vacant parcels, other blight elimination, and remedying illegal dumping, including legal action to address any of the foregoing as necessary, no less than twenty-five percent (25%) of the revenue deposited into the Fund in any single year shall be used to pay for the uses listed in this paragraph; and

(12) the preparation of studies in association with this article.

(c) Monies in the Fund may be used to pay the costs of audits with respect to the uses of the monies in the Fund.

(d) Monies in the Fund may be used to pay for the City's costs of the election required to obtain voter approval of the tax authorized by this article, including City Attorney costs to prepare this article and related documents.

(e) Monies in the Fund may be used to pay for the costs of administering the Special Tax, regardless of how or by what entity those administrative services are provided. No more than fifteen percent (15%) of the revenue deposited into the Fund in any single year may be used to pay for such administrative costs. Notwithstanding the foregoing, the City shall be reimbursed for its actual costs of establishing the program for collecting the Special Tax, such costs to be confirmed by the Controller. Administrative costs include, but are not limited to:

(1) the costs to the City of determining and identifying the occupancy and vacancy status of every parcel in the City;

(2) the costs to the City associated with administering, monitoring, and enforcing compliance with this article. Such costs include, but are not limited to, refunds, audits, adjustments, any expenses, including attorneys' fees, associated with any proceedings needed to enforce the requirements of this article;

(3) the costs to the City associated with developing ordinances and regulations to implement this article;

(4) the costs to the City associated with the operations of the oversight committee described in Subsection 21.18.11(b); and

(5) reimbursement to the County for the costs it incurs in collecting the tax.

(e) If this article or the use of the Special Tax is legally challenged, monies from the Fund may be used to reimburse the City for its costs of legal defense, including attorneys' fees and other expenses.

SEC. 21.18.11. ADMINISTRATIVE OVERSIGHT.

(a) The General Manager of the Los Angeles Housing and Community Investment Department (“General Manager”) shall prepare and present to the City Council an annual report identifying all receipts into and all expenditures out of the Fund, as well as the purpose for which each expenditure was made in accordance with Section 21.18.10. Each report shall cover a fiscal year and shall be submitted within 90 days after the close of that fiscal year.

(b) Oversight of the Fund shall be exercised by the Linkage Fee Oversight Committee established under subsection (f) of Section 5.5852 of Chapter 176 of the Los Angeles Administrative Code. The Linkage Fee Oversight Committee shall provide opportunity for public input in the development of the General Manager’s annual report to City Council.

(c) The General Manager or his or her designee shall make recommendations to City Council for expenditures from the Fund.

SEC. 21.18.12. REFUNDS, ADJUSTMENTS, AND PAYMENTS.

The City shall establish the procedures and guidelines for Owners to requests for refunds, adjustments, payments, and appeals.

SEC. 21.18.13. AMENDMENTS.

This article may only be amended by a vote of the people if the amendment would result in the Special Tax being imposed, extended, or increased in a manner not authorized by this article as originally approved by the voters. City Council is hereby authorized to amend this article provided such amendment does not require voter approval.

SEC. 21.18.14. SUBMISSION TO VOTERS.

The ordinance enacting this article shall be submitted to the voters of the City. The taxes determined and proposed by this article shall be levied only if the ordinance is approved by a vote of not less than two-thirds of the voters voting. If the ordinance is approved by the requisite number of voters, the article shall thereafter be considered a part of the Los Angeles Municipal Code.

SEC. 21.18.15. SEVERABILITY CLAUSE.

If any section, clause, sentence, phrase, or portion of this proposition is held unconstitutional or invalid by any court or tribunal of competent jurisdiction, the remaining sections, clauses, sentences, phrases, or portions of this proposition shall remain in full force and effect, and to this end the provisions of this proposition are severable. In addition, the voters declare that they would have passed all sections,

clauses, sentences, phrases, or portions of this proposition without the section, clause, sentence, phrase or portion held unconstitutional or invalid.

Sec. B. The City Clerk is hereby authorized and directed to publish a notice containing the proposed ballot proposition, specifying the date of November 3, 2020, as the date the proposition is to be voted upon by the qualified voters of the City of Los Angeles. The notice shall be published once in a newspaper of general circulation in the City of Los Angeles, and in each edition thereof during that day of publication. The City Clerk is authorized and directed to prepare and keep in the City Clerk's office a sufficient supply of copies of the proposed ballot proposition and to distribute the proposed ballot proposition to any and all persons requesting a copy. Further, the City Clerk is authorized and directed to mail copies of the proposed ballot proposition to each of the qualified voters of the City of Los Angeles.

Sec. C. The City Clerk is hereby authorized and directed to cause a notice to be published once in a newspaper of general circulation that copies of voter information pamphlets containing the proposed ballot proposition may be obtained upon request in the City Clerk's office.

Sec. D. The City Clerk shall file a duly certified copy of this Resolution forthwith with the Board of Supervisors and with the Registrar-Recorder of the County of Los Angeles.

I hereby certify that the foregoing Resolution was adopted by the City Council of the City of Los Angeles at its meeting held on _____.

HOLLY L. WOLCOTT, City Clerk

By _____ Deputy

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By  _____
CHARLES S. HONG
Deputy City Attorney

Date 6/21/20