



LAHD
LOS ANGELES HOUSING DEPARTMENT

Impact Analysis of ULA Exemptions

CF 26-008-S1



Background

- On Jan 28, Council introduced a motion requesting the City Attorney to prepare and present ballot measure language to amend ULA (C.F. 26-0088)
 - The motion requested an exemption for all properties built or substantially remodeled within 15 years (excluding non-single family, duplex or triplex properties) and an exemption for fire-impacted areas
 - The motion has not been adopted by Council
- Upon the introduction of C.F. 26-0088, Council introduced and approved a subsequent motion (C.F. 26-0088-S1) instructing LAHD to analyze the fiscal, programmatic, and operational impacts of the amendments proposed in C.F. 26-0088



Overview

Today's presentation and report

- Provides an overview of ULA funding and outcomes to-date
- Quantifies the potential impacts of the proposed exemptions on revenue and programmatic outcomes by examining four different exemption scenarios
 - two scenarios relate to exempting “newly constructed commercial and multifamily” transactions (as defined by the motions)
 - two scenarios relate to exemptions for natural disasters.



Key Findings

Based on the analysis conducted by LAHD

- Exempting properties built or substantially remodeled within the past 15 years (excluding single-family residential, duplexes and triplexes) could reduce revenue by **29%**, resulting in an estimated **\$144.7 million reduction in ULA revenue per year.**
- Exempting properties built within the past 15 years (excluding single-family residential, duplexes and triplexes) could **reduce revenue by approximately 13%**, resulting in an estimated **\$63.5 million reduction in ULA revenue per year.**



Key Findings

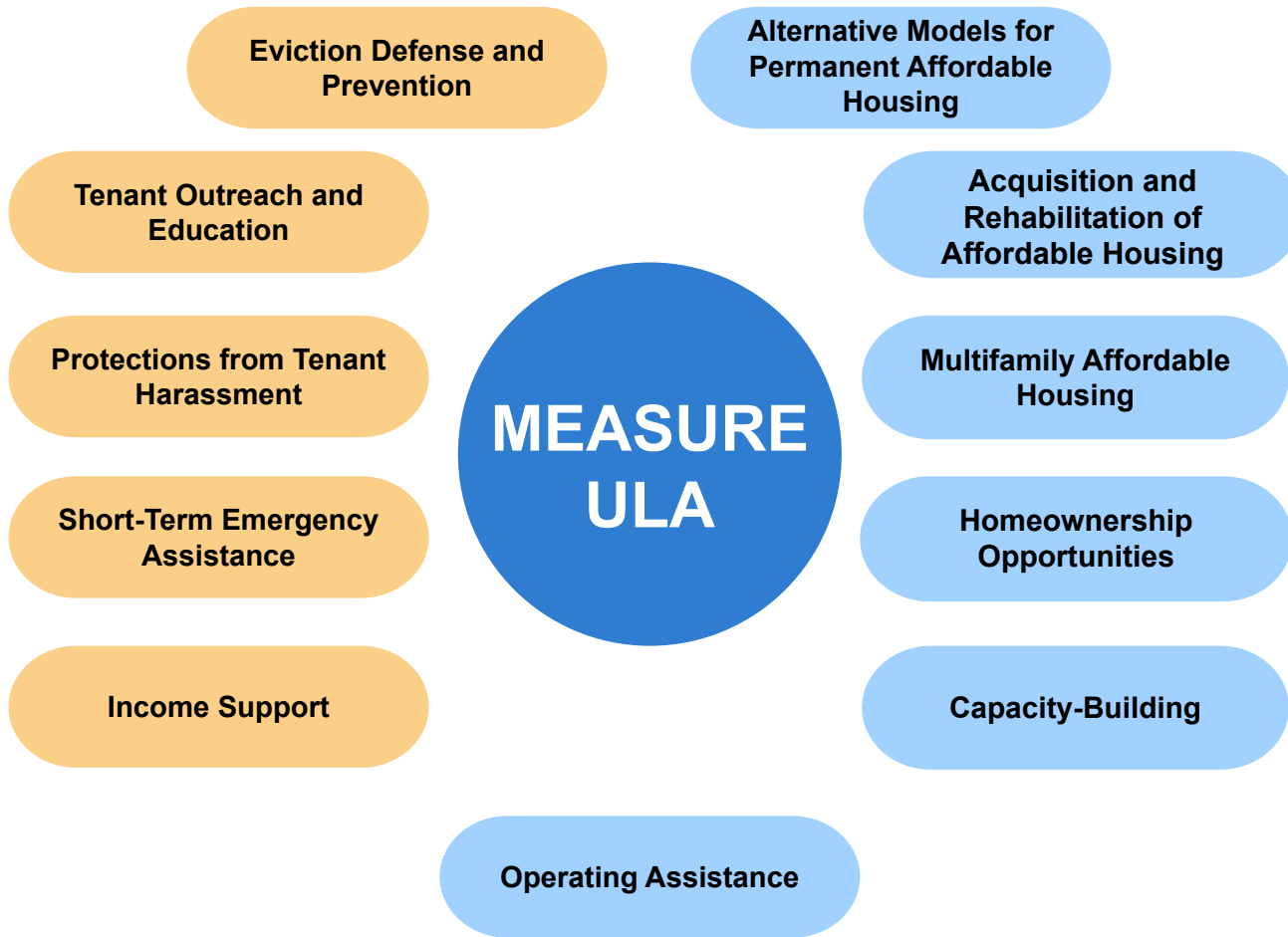
Additionally:

- Exempting residential transactions “impacted” by the Palisades Fire could reduce ULA revenue by **6%**, or an **estimated \$32.2 million** annually during the period that any such exemption is in place.
- Exempting single-family properties “**destroyed**” by the Palisades fire **could reduce ULA revenue by 2%**, or an **estimated \$7.6 million** annually during the period that any such exemption is in place.



ULA Progress & Outcomes To-Date



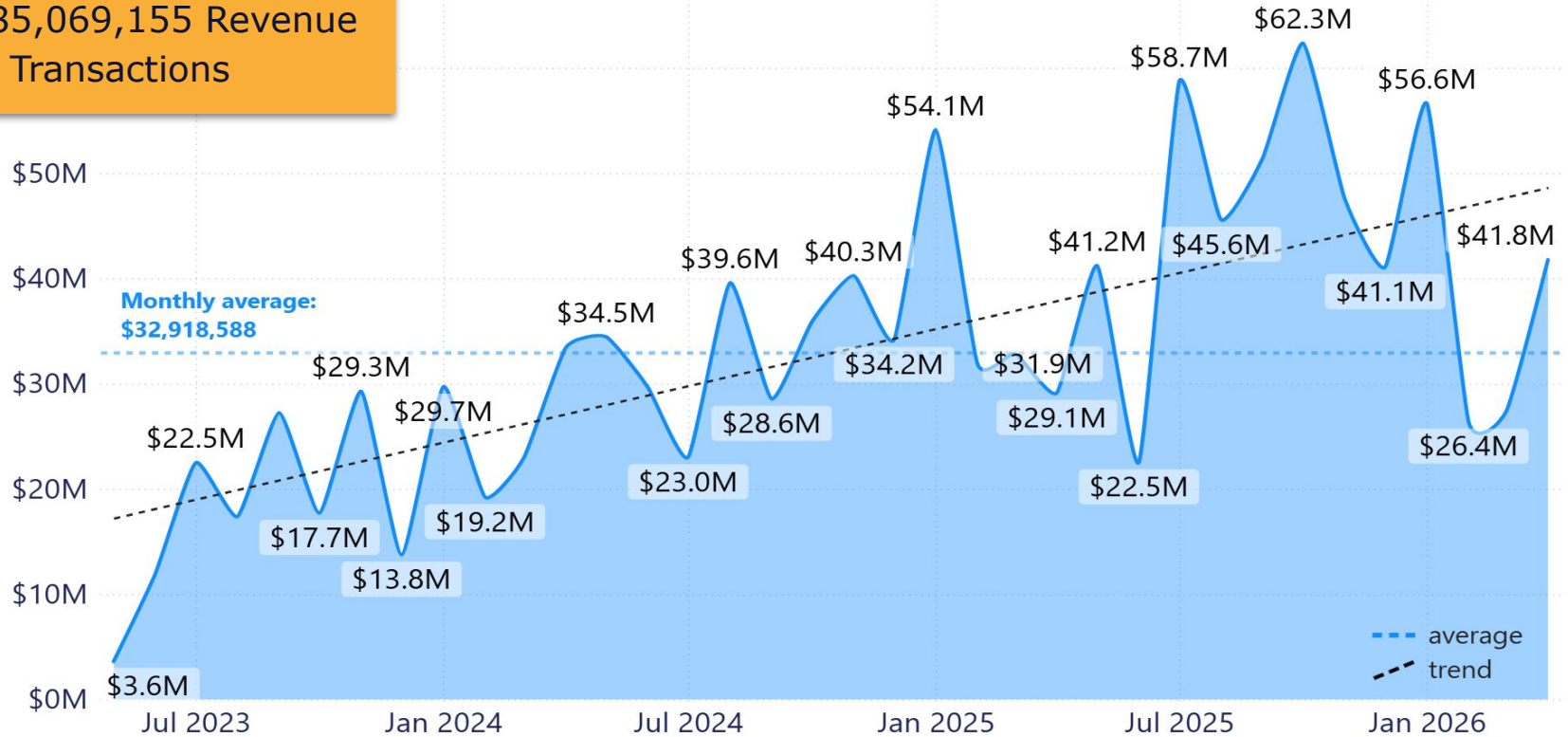


ULA Background

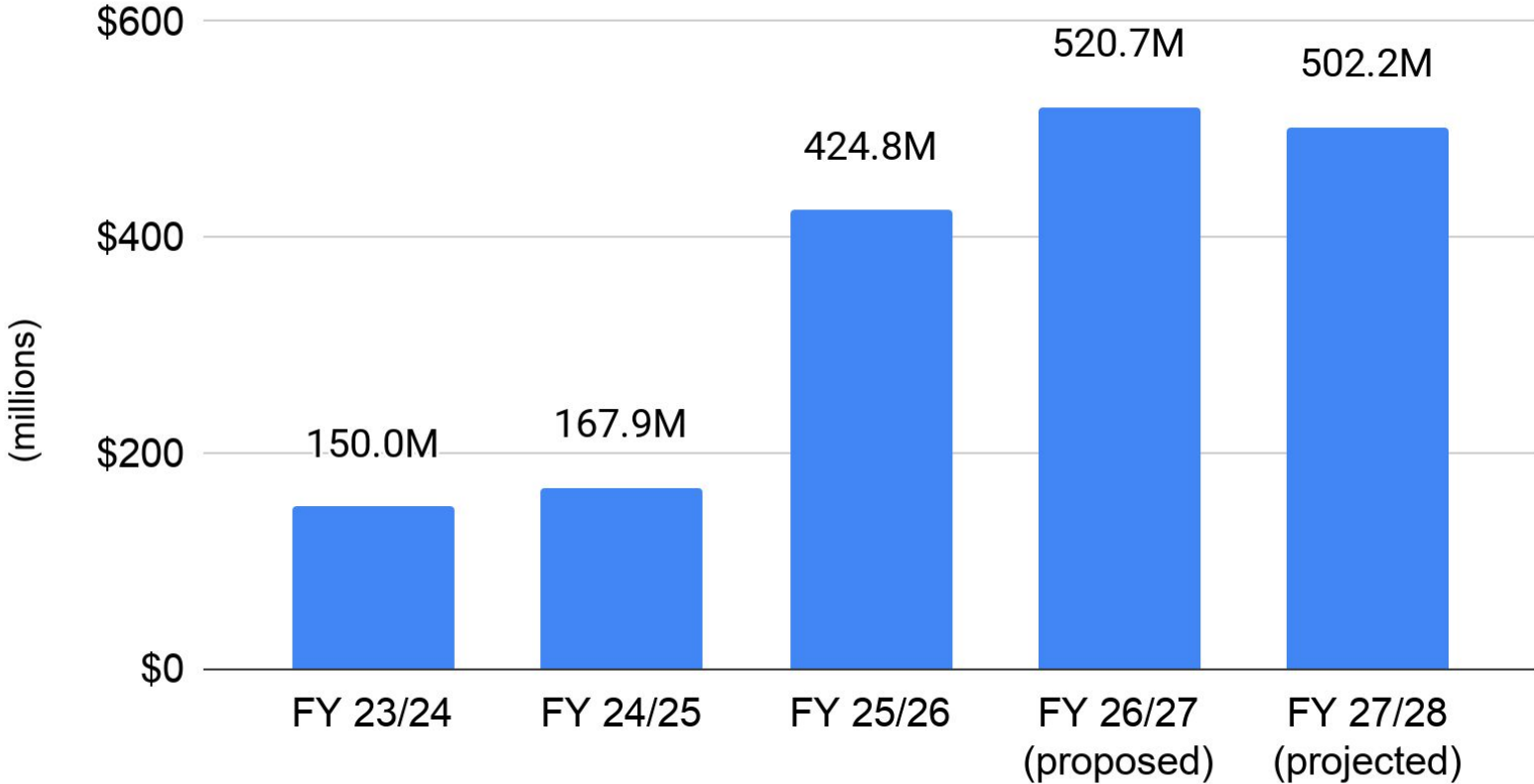
Total To-Date:

\$ 1,185,069,155 Revenue
1,633 Transactions

ULA Revenue over Time



ULA Revenue Allocated Per Year



ULA Highlights - Production & Preservation

Multifamily Affordable Housing

1,409 new units

\$152.7 million awarded

Acquisition and Rehabilitation

183 units preserved

\$19.3 million awarded

Homeownership Program

39 loans

\$7.4 million expended/committed

Alternative Models for Permanent Affordability

491 new units

43 units preserved

\$146.7 million awarded

Operating Assistance

3,487 units stabilized

\$20.7 million awarded



ULA Background and Highlights - Homelessness Prevention

Eviction Defense Prevention

14,258 households served

\$39.3 million

Rental Assistance

4,488 households served

\$34.2 million awarded

Tenant Outreach and Education

252,610 households reached

\$4.9 million awarded

Income Support

1,494 households served

\$23.6 million awarded



A stylized, light blue icon of a cityscape with various buildings and a large circle, all contained within a rounded square frame. The icon is centered in the background.

Analysis

Methodology

LAHD's methodology included four steps:

1. Defining the Exemption Scenarios
2. Calculating the percent reduction in revenue
3. Applying the reduction to a “standard” year's revenue
4. Calculating the estimated reduction in units and households served



Methodology

1. Defining the Exemption Scenarios
2. Calculating the percent reduction in revenue
3. Applying the reduction to a “standard” year’s revenue
4. Calculating the estimated reduction in units and households served



Methodology - Exemption Scenarios (Property Use)

Scenario 1: Construction or Substantial Rehab ≤ 15 years

Multifamily, industrial, commercial, or mixed use properties with most recent CofO below 15-year age threshold

Scenario 2: Construction ≤ 15 years

Multifamily, industrial, commercial, or mixed use properties with first CofO below 15-year age threshold

Scenario 3: Disaster-Impacted

Residential properties in areas impacted by wildfires on Jan. 7, 2025

Scenario 4: Disaster-Destroyed

Single-family homes destroyed by declared disasters within last 3 years

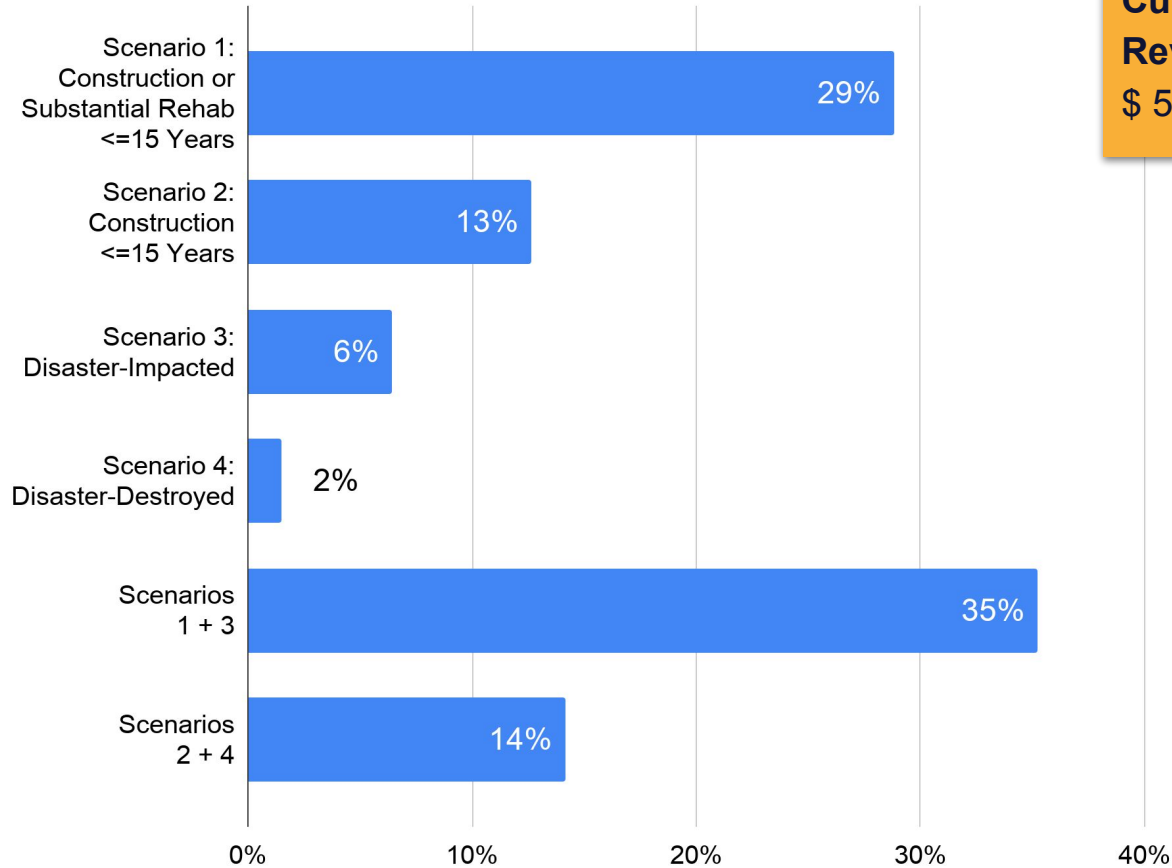


Methodology

1. Defining the Exemption Scenarios
2. Calculating the percent reduction in revenue
3. Applying the reduction to a “standard” year’s revenue
4. Calculating the estimated reduction in units and households served



Estimated Percent Reductions Due to Exemptions



**Current Annual
Revenue Forecast:
\$ 502,211,821**



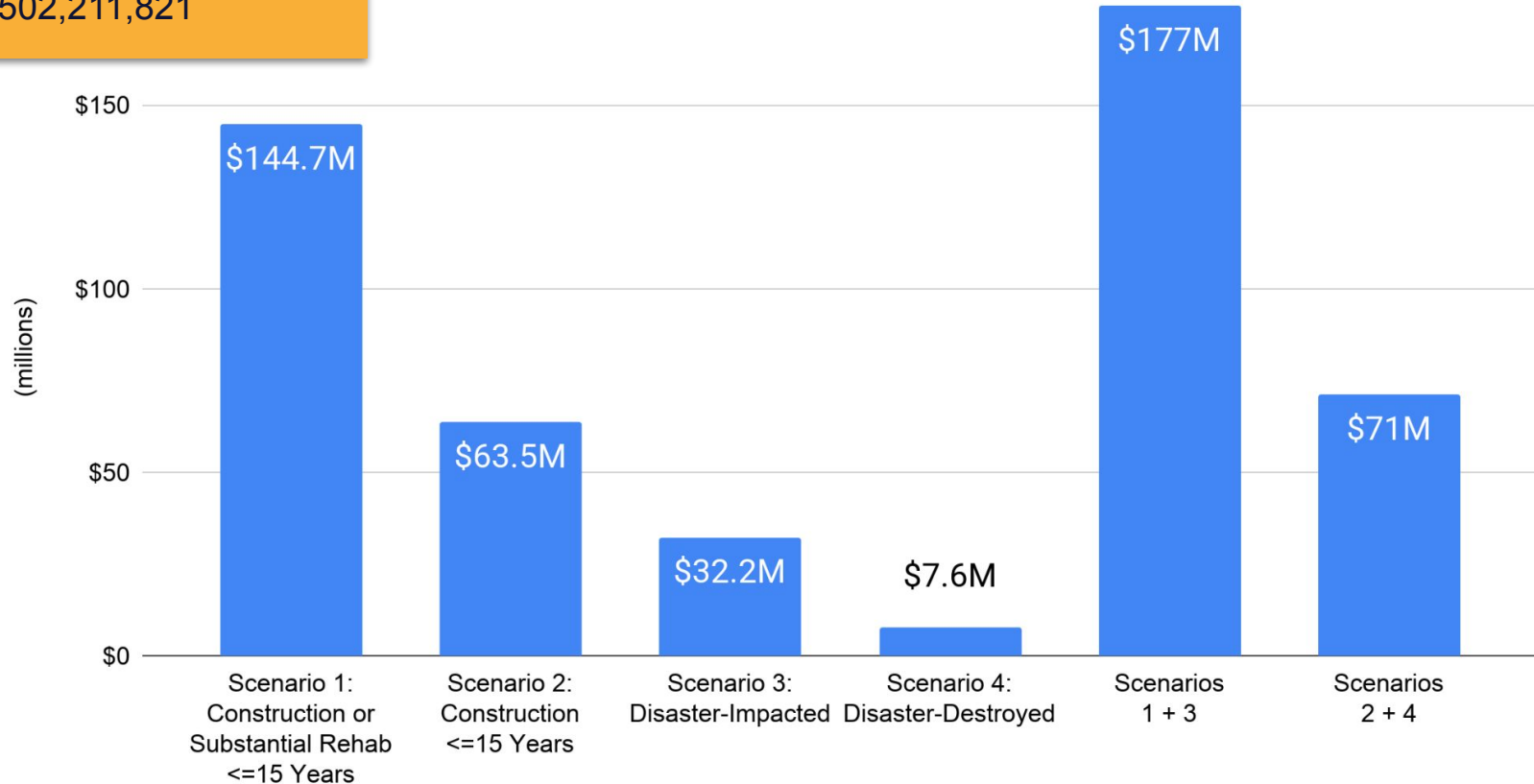
Methodology

1. Defining the Exemption Scenarios
2. Calculating the percent reduction in revenue
3. Applying the reduction to a “standard” year’s revenue
4. Calculating the estimated reduction in units and households served



**Current Annual
Revenue Forecast:
\$ 502,211,821**

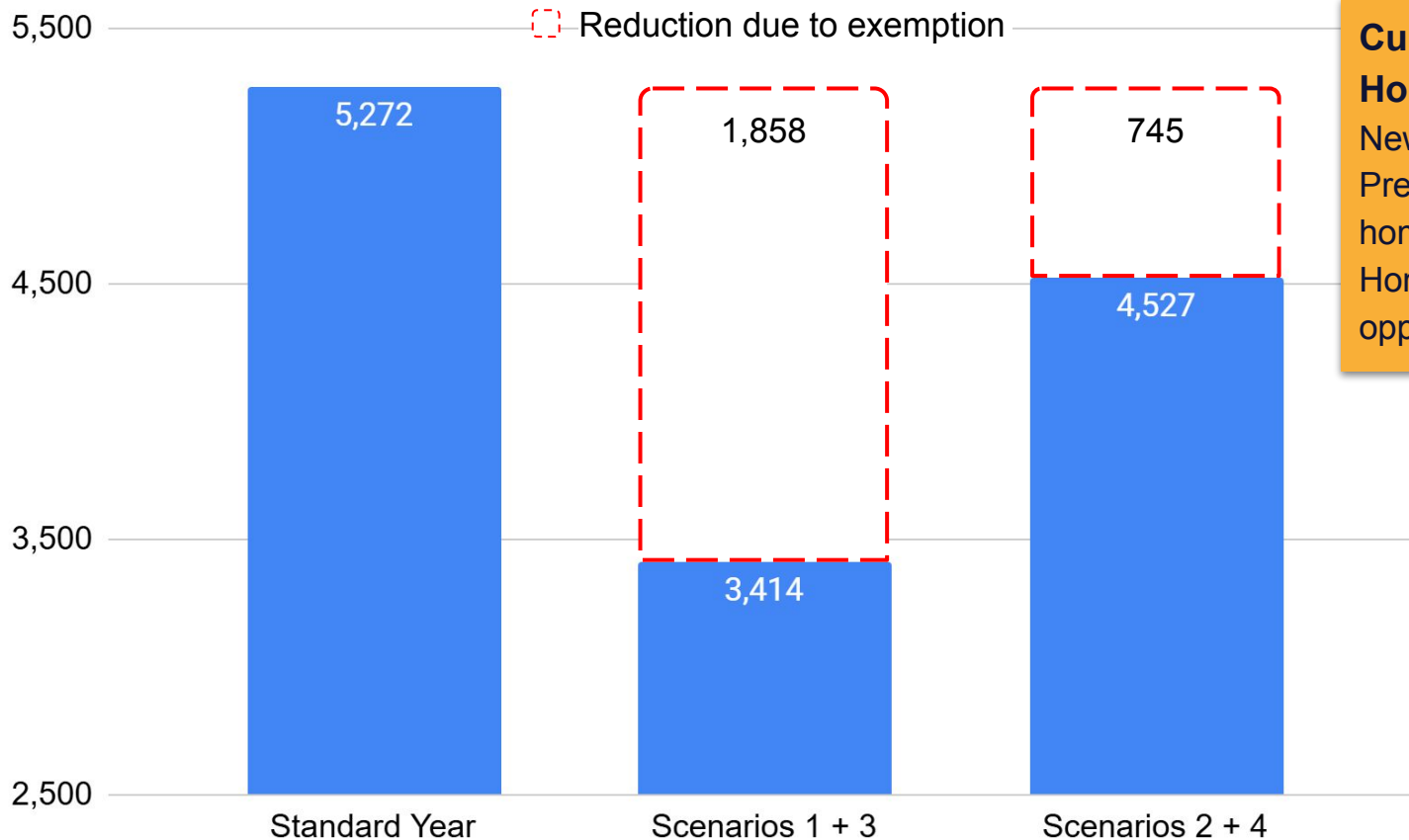
Estimated Revenue Reductions Due to Exemptions



Methodology

1. Defining the Exemption Scenarios
2. Calculating the percent reduction in revenue
3. Applying the reduction to a “standard” year’s revenue
4. Calculating the estimated reduction in units and households served

Estimated Housing Reductions Due to Exemptions



Current Annual ULA

Housing Forecast:

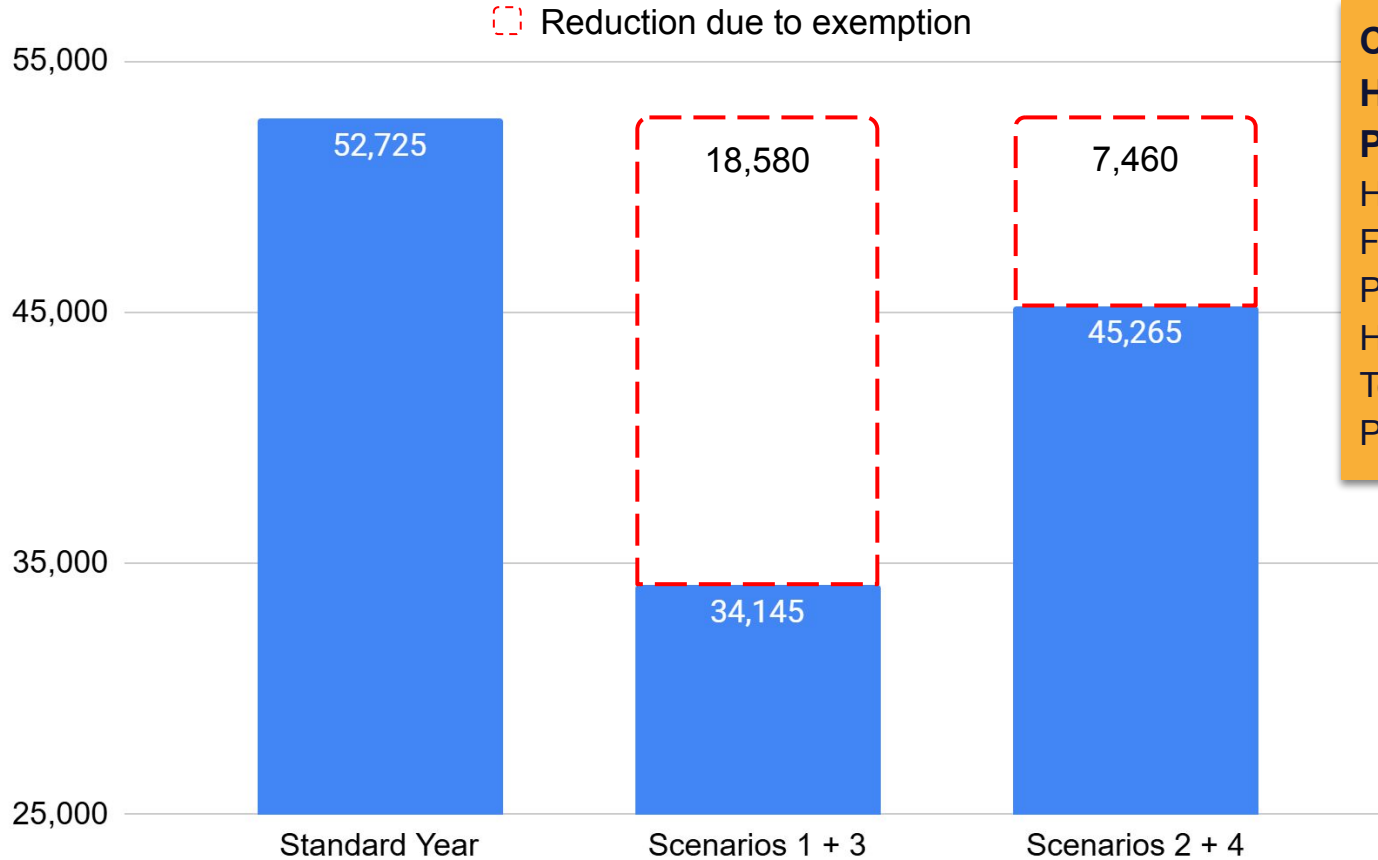
New affordable homes: 987

Preserved affordable homes: 4,158

Homeownership opportunities: 127



Estimated Homelessness Prevention Reductions Due to Exemptions



Current Annual ULA Homelessness Prevention Forecast:
Households served by Financial Assistance Programs: 6,106
Households served by Tenant Protection Programs: 46,619



Administrative Impacts

- Scenario 1 would reduce the ULA Admin budget by \$11.6 million and Scenario 2 would lead to a reduction of \$5.1 Million.
- Less administrative funding, could result in delays in implementation, reduction in quality of service, and fewer resources available for reporting, monitoring, and transparency related to ULA implementation.
- LAHD and the Department of Finance may also need additional staff and data systems to process exemptions.
- Significant revenue fluctuations (like under a future disaster) could lead to abrupt reductions in revenue and result in temporary layoffs and significant inefficiencies.



Limitations

1. Assumes distribution of future transactions per property use category is equal to distribution of past transactions
2. Limited available data for “per-unit” costs to calculate reduction in households and units
3. The disaster-related exemptions are modeled with a single example but disasters can vary greatly
4. Does not account for behavior change, economic change, cost increases, etc.
5. Does not model reductions over a time period or set reductions in comparison to housing production/homelessness prevention goals



A stylized, light blue icon of a cityscape with various buildings and a large circle, possibly representing a sun or moon, all enclosed in a rounded square frame.

Appendix

Methodology - Exemption Scenarios (Property Use)

| | Source | Name | Summary | Proposed Language per Motion |
|---|------------|---|--|--|
| 1 | 26-0088 | Scenario 1: Construction or Substantial Rehab <=15 years | Multifamily, commercial, or mixed use properties with most recent CofO below 15-year age threshold | “Create a fifteen year exemption for newly constructed multifamily, commercial or mixed use (i.e. multifamily and commercial combined). The exemption should apply to multifamily and commercial properties transferred within 15 years from issuance of the most recent certificate of occupancy for new construction or substantial rehabilitation. Multifamily is defined as any properties containing 4 or more dwelling units and commercial is defined as any properties containing non-residential uses.” |
| 2 | 26-0088-S1 | Scenario 2: Construction <=15 years | Multifamily, commercial, or mixed use properties with first CofO below 15-year age threshold | “Exempting multifamily (defined as any property containing 4 or more dwelling units), commercial, or mixed use properties that received their first Certificate of Occupancy within the last 15 years.” |



Methodology - Exemption Scenarios (Disaster-Related)

| | Source | Name | Summary | Proposed Language per Motion |
|---|------------|-----------------------------------|---|---|
| 3 | 26-0088 | Scenario 3: Disaster-Impacted | Residential properties in areas impacted by wildfires on Jan. 7, 2025 | “Amend Measure ULA to allow the Office of Finance to issue an exemption for three years after any natural disaster upon a showing by the listed taxpayer that the Measure ULA tax will cause an undue hardship. This rule should be retroactive to owners of record of residential properties on January 7, 2025 in fire-impacted areas.” |
| 4 | 26-0088-S1 | Scenario 4: Disaster-Destroyed | Single-family homes destroyed by declared disasters within last 3 years | “Exempting single-family housing properties destroyed by a disaster within the previous 3 years that resulted in a declared local emergency.” |



Findings - Reduction in Revenue

Table 3. Typical Year Revenue and Anticipated Revenue Reduction under Exemption Scenarios

| Current Annual Revenue Forecast: | | \$ 502,211,821 | | | |
|---|--|-------------------------|--|---|--|
| | 1 | 2 | 3 | 4 | |
| | Construction or Substantial Rehab <=15 years | Construction <=15 years | Residential properties in fire-impacted areas on Jan 7, 2025 | Single-family home destroyed by disasters within last 3 years | |
| Discount | 28.8% | 12.6% | 6.4% | 1.5% | |
| Anticipated Revenue with Exemption | \$ 357,495,004 | \$ 438,721,852 | \$ 469,971,666 | \$ 494,656,480 | |
| Reduction from Current Revenue Forecast | \$ (144,716,818) | \$ (63,489,970) | \$ (32,240,156) | \$ (7,555,341) | |



Findings - Reduction in Revenue

Table 4. Revenue Impact Scenarios Applied to ULA Program Allocations

| | Current Annual Forecast (\$) | Projected Reduction from Current Revenue Forecast (\$) | | | |
|-------------------------|-------------------------------------|---|---------------------------------------|---|---|
| | | 1 Construction or Substantial Rehab ≤15 years | 2 Construction ≤15 years | 3 Residential properties in areas impacted by wildfires on Jan. 7, 2025 | 4 Single-family homes destroyed by declared disasters within last 3 years |
| ULA Administration | \$ 40,176,946 | \$ (11,577,345) | \$ (5,079,198) | \$ (2,579,212) | \$ (604,427) |
| ULA Programs | \$ 462,034,876 | \$ (133,139,472) | \$ (58,410,772) | \$ (29,660,943) | \$ (6,950,914) |
| Affordable Housing | \$ 323,424,413 | \$ (93,197,631) | \$ (40,887,541) | \$ (20,762,660) | \$ (4,865,640) |
| Homelessness Prevention | \$ 138,610,463 | \$ (39,941,842) | \$ (17,523,232) | \$ (8,898,283) | \$ (2,085,274) |
| TOTAL | \$ 502,211,821 | \$ (144,716,818) | \$ (63,489,970) | \$ (32,240,156) | \$ (7,555,341) |



Findings- Reduction in Affordable Housing Programs

Table 5. Typical Year Outputs and Reduction from Baseline under Exemption Scenarios - Affordable Housing Overview

| | Baseline Annual Outcomes (units) | Projected Reduction in Affordable Housing Program Outcomes (units) | | | |
|---|----------------------------------|--|------------------------------|--|--|
| | | 1 Construction or Substantial Rehab <=15 years | 2 Construction <=15 years | 3 Residential properties in areas impacted by wildfires on Jan. 7, 2025 | 4 Single-family homes destroyed by declared disasters within last 3 years |
| Affordable homes constructed | 987 | -285 | -125 | -63 | -15 |
| Affordable homes preserved | 4,158 | -1,198 | -525 | -267 | -62 |
| Housing units provided capacity building assistance | 602 | -173 | -76 | -39 | -9 |
| Homeownership opportunities provided | 127 | -37 | -16 | -8 | -2 |
| TOTAL | 5,874 | -1,693 | -742 | -377 | -88 |



Findings- Reduction in Homelessness Prevention

Table 6. Typical Year Outputs and Reduction from Baseline under Exemption Scenarios – Homelessness Prevention

| | Baseline Annual Outcomes (households) | Projected Reduction in Homelessness Prevention Program Outcomes (households) | | | |
|--|---------------------------------------|--|------------------------------|--|---|
| | | 1 Construction or Substantial Rehab <=15 years | 2 Construction <=15 years | 3 Residential properties in areas impacted by wildfires on Jan. 7, 2025 | 4 Single-family home destroyed by declared disasters within last 3 years |
| ULA Homelessness Prevention Programs | | | | | |
| Short-term Emergency Assistance | | | | | |
| | 2,703 | -779 | -342 | -174 | -41 |
| Income Support for Rent-Burdened At-Risk Seniors & Persons with Disabilities | | | | | |
| | 3,403 | -980 | -430 | -218 | -51 |
| Eviction Defense/Prevention | | | | | |
| <i>full scope services</i> | 6,145 | -1,771 | -777 | -395 | -93 |
| <i>limited scope services</i> | 60,064 | -17,308 | -7,593 | -3,856 | -904 |
| <i>settlement assistance</i> | 4,620 | -1,332 | -584 | -297 | -70 |
| Tenant Outreach & Education | | | | | |
| <i>Know Your Rights workshops</i> | 40,474 | -11,663 | -5,117 | -2,599 | -609 |
| <i>door-knocking/canvassing</i> | 534,112 | -153,909 | -67,523 | -34,288 | -8,035 |
| <i>calls/texts</i> | 1,071,920 | -308,883 | -135,513 | -68,813 | -16,126 |



Findings- Reduction in Admin

Table 7. Impact on Annual ULA Administration Funding under Exemption Scenarios

| | Current Annual Forecast (\$) | Projected Reduction in ULA Administration Funding (\$) | | | |
|--------------------|-------------------------------------|---|-------------------------|---|--|
| | | 1 | 2 | 3 | 4 |
| | | Construction or Substantial Rehab <=15 years | Construction <=15 years | Residential properties in areas impacted by wildfires on Jan. 7, 2025 | Single-family home destroyed by declared disasters within last 3 years |
| ULA Administration | \$ 40,176,946 | \$ (11,577,345) | \$ (5,079,198) | \$ (2,579,212) | \$ (604,427) |

