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Council Member Ysabel Jurado, Chair
Council Member Imelda Padilla
Council Member John Lee
Ad Hoc Committee on Measure ULA, Los Angeles City Council

Dear Chair Jurado, Council Member Padilla, and Council Member Lee:

We write as practitioners with a combined sixty years of real estate development experience in Los Angeles. Yuval Bar-Zemer brings 35 years as a developer, having submitted hundreds of pro formas to lenders, investors, and public agencies including the CRA. Mott Smith brings 25 years of experience focused on affordable housing and public-private partnerships; he serves as Chair of the Council of Infill Builders, Adjunct Professor of Real Estate Development at the USC Price School of Public Policy, and co-author of published UCLA research on Measure ULA's market impacts. We have reviewed the BAE Urban Economics study, the UCLA/Phillips-Manville research, and the financial audit of the ULA Fund prepared by Macias Gini & O'Connell and presented to the Citizen Oversight Committee on March 26, 2026. Read together, these documents — even the data presented in the BAE paper, if not its authors' conclusions— make the urgent case for ULA reform.

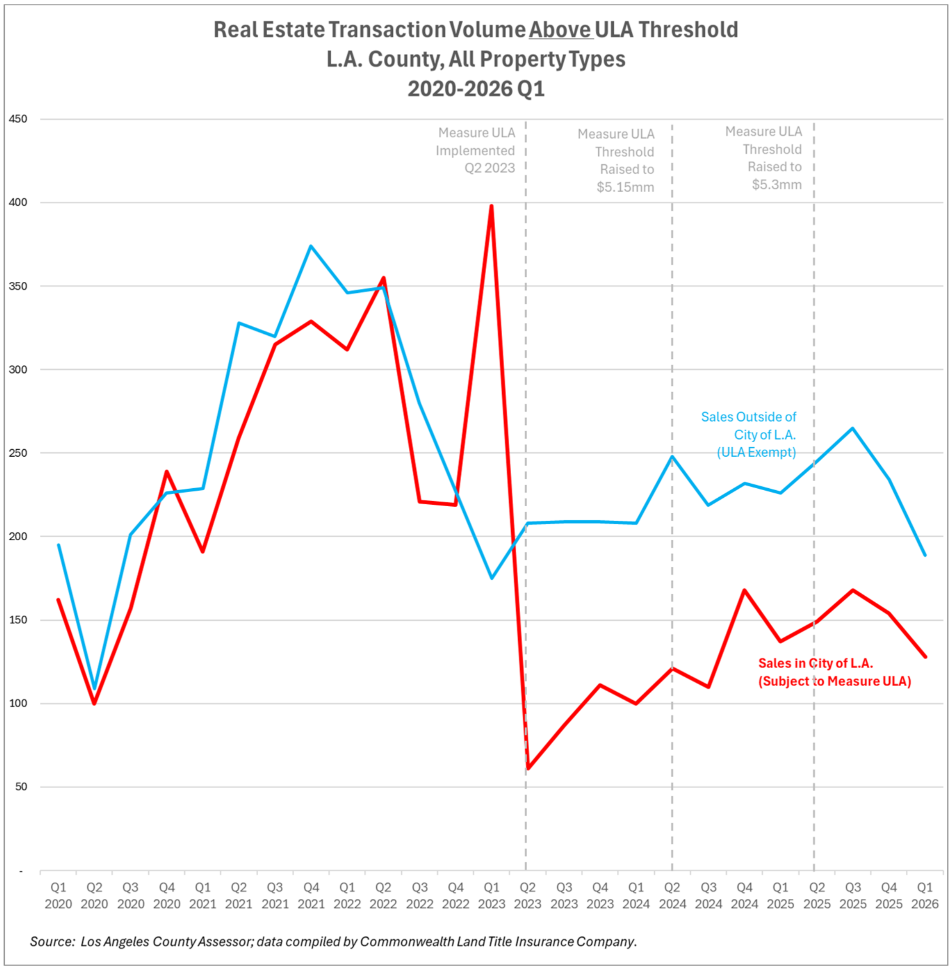
The BAE Study's Central Error

BAE's headline finding — that a ULA waiver for new construction would push very few additional projects into feasibility — relies on the wrong baseline. The authors actually concede that a waiver would make more desperately needed projects feasible; they just argue that against the broader dysfunction of our building economy, it's a drop in the bucket.

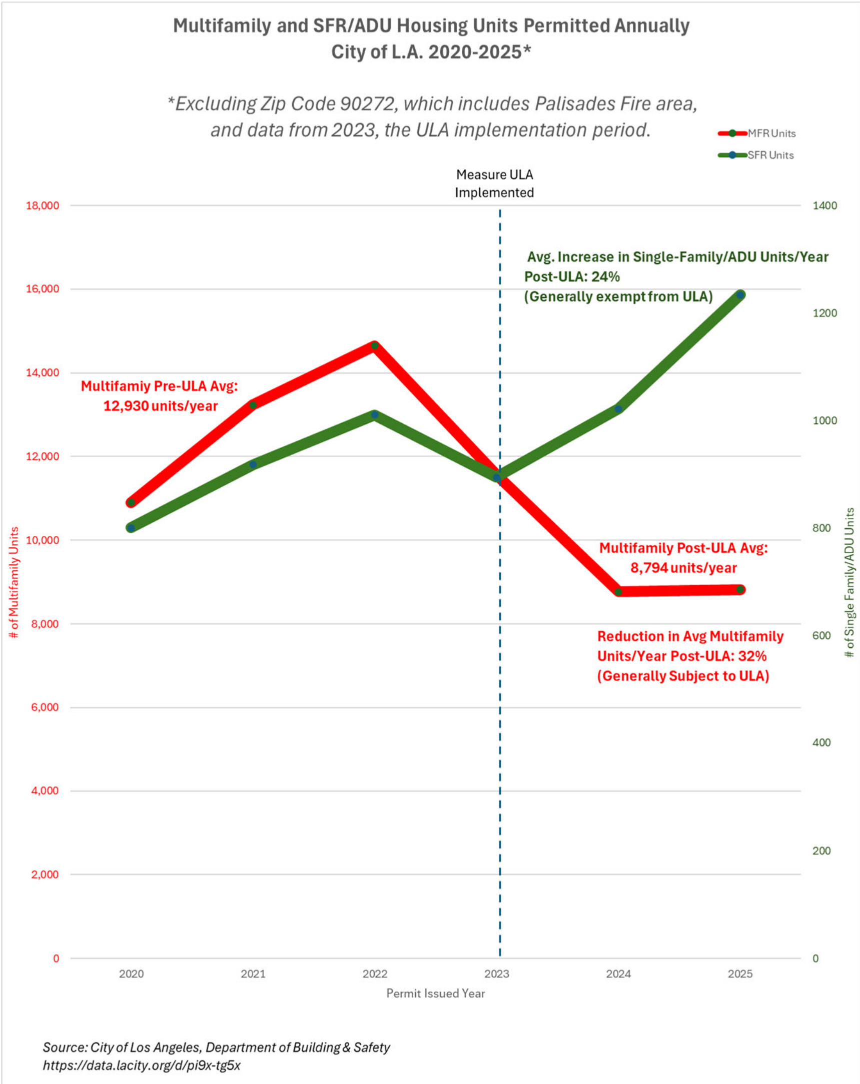
The right question isn't how many more projects would become feasible under a ULA waiver than in a healthy market (which we certainly don't have). It's how many more projects become feasible *compared to current conditions* (which are abysmal). By BAE's own numbers, there's a real set of potential multifamily housing projects — those at the 67th to 80th percentile of market rents with shorter holding periods — that a waiver would push into feasibility. That's not nothing. We don't achieve progress by dismissing incremental gains because they don't fix everything at once.

Measure ULA Research: What the Full Record Shows

Independent research efforts involving at least six respected institutions —UCLA, RAND, Harvard, UC San Diego, UC Irvine, and USC — affirm that commercial and multifamily property sales have fallen 30–50% in the City of Los Angeles compared to the County since ULA took effect. A UCLA/RAND study shows that sales of parcels with high redevelopment potential — the sites that become tomorrow's housing — have dropped by half.



At the same time, multifamily building permit applications — a much more reliable predictor of building starts than entitlements (which are often speculative) — averaged 12,930 units per year before Measure ULA (2020–2022), and fell to an average of 8,794 units post-ULA (2024–2025) — **a 32 percent decline, based on publicly available City of L.A. data**. While macroeconomic factors like interest rates surely played a role in this drop, it is notable that during the same period, single-family and ADU permits — which are generally exempt from ULA — *actually rose* 24 percent, suggesting that ULA is likely indeed a factor.



By so dramatically curbing real estate transfers and new construction, ULA has degraded the primary mechanism of property tax revenue growth. In fact, according to a UCI/Harvard/UCSD study, every dollar collected under Measure ULA costs up to $1.38 of future property tax revenue, a direct blow to our City's struggling General Fund, public schools, County safety net and other programs that rely on property tax revenues.

What the City's Recent ULA Audit Reveals: Revenue, But Ineffective Deployment

The March 2026 MGO financial audit of the ULA Fund — the first independent financial audit in the program's history, covering inception through June 30, 2025 — contains findings that should concern every member of this Committee. Auditors identified material weaknesses in internal controls over financial reporting in every period examined: 2023, 2024, and 2025. The key issues were attributed to understaffed, decentralized accounting across LAHD, the Office of Finance, and the City Controller, and inadequate year-end reconciliation.

More concerning is the spending data. Through October 2025 — two and a half years into the program — ULA had spent just approximately $94 million of the $1.03 billion it had collected: **less than nine cents on every dollar raised**. The bulk went to worthy causes: homelessness prevention, emergency rental assistance, eviction defense, and income support. But just $9.4

million — roughly one cent of every dollar collected — reached affordable housing construction, the program's stated core purpose. At the end of fiscal year 2025, the ULA fund held a restricted balance of $729 million, meaning most of the money was sitting in an account rather than being put to work for low-income renters in our City. The ULA Inspector General position, mandated by the measure itself, still has not been filled. Supporters cite the $1.1 billion collected as proof the measure is working. But the fact that less than 1% of that has been spent on construction should be major concern for those who voted for Measure ULA to create affordable homes and quality jobs.

We acknowledge that the Homes for LA NOFA — with $316 million in ULA funds committed to affordable housing production, the largest funding round in LAHD history — is a meaningful step forward, and we are glad to see it moving. But the NOFA is still pending final Council approval, and the underlying structural problems — including ULA's constraints on blending funds with Fannie Mae, Freddie Mac, and other traditional debt sources — remain unresolved.

We support ULA's goals. We believe the Measure should be fixed so it can deliver on its promises to protect low-income renters and build affordable housing, all without causing serious collateral damage to our already struggling multifamily and jobs-producing economy, or to the City's general fund and public schools. Importantly, ULA can be fixed without reducing any of its budgeted programs. All of the reform proposals below would allow continued ULA spending on homelessness prevention and affordable housing construction at the current budgeted levels. The Committee should evaluate both ULA's structure and its deployment — and it should take decisive steps to mend what we have in place before broader forces risk substantially curtailing our ability to generate local revenues at all.

Reform That Fulfills Voters' Intent

The LAHD revenue dashboard, updated through March 2026, shows that of $1.1 billion collected across 1,535 transactions, single-family residential properties account for 41.3% of revenue collected. Transfers of the backbone housing and jobs producing properties in our City — apartment buildings, film and TV production facilities, offices, retail, manufacturing, and mixed-use developments — generate just over half of ULA's revenues (55.5%).

Whereas transfers of most single-family homes in Los Angeles are not subject to Measure ULA, transfers of much of the city's jobs and housing backbone is. Voters were told by ULA's campaigners they were passing a mansion tax. They were not. Voters believed they were taxing a consumer product — luxury homes — to pay for affordable housing. Most had no idea they were stifling apartments, jobs, and industry. This alone is grounds for reform.

We urge the Committee to recommend the following reforms for the November ballot:

1. **Make ULA what voters were promised: a true mansion tax on single-family residences only.** Exempt all backbone properties — the apartment buildings, commercial spaces, industrial facilities, and mixed-use developments that house most Angelenos and support our foundational industries: entertainment production, manufacturing, R&D, and the small businesses that anchor neighborhood economies. These are not luxury assets. They are the infrastructure of a functioning city, and we cannot tax them out of viability. **Current ULA revenue from single-family transactions is approximately $175–190 million per year and growing. ULA's total actual spend through October 2025 was approximately $94 million — less than one year's worth of SFR revenue alone.** Narrowing ULA's scope to single-family residences would not require cutting a single funded program at current spending levels. It would not even require cutting the current authorized budget.

2. **Fix the affordable housing constraints on ULA funds that LAHD itself has flagged.** There are well known issues with ULA's requirements for covenant seniority and restrictions with respect to LLCs and limited partnerships controlled by nonprofits — the ownership structures used in virtually every Low Income Housing Tax Credit transaction in California. LAHD's own proposed technical amendment, presented to the Citizen Oversight Committee on March 26, would be an important step forward in correcting these issues. Without these fixes, ULA will continue underperform as a construction source and will tax the very affordable housing transactions it was designed to encourage.
3. **Exempt the first sale of newly constructed or substantially rehabilitated properties from ULA, and cap the ULA transfer tax on all other non-single-family properties at 1%.** Merchant builders — the category of developer that BAE's own data shows has nearly vanished from the Los Angeles market — are the primary source for new market-rate supply in our City. Removing the ULA burden from the initial sale help make more projects feasible and opens up capital for additional investment in our City. The 1% cap on other non-residential transfers preserves long-term owner value and restores the basic conditions for a functioning multifamily, commercial, and industrial market.

The Choice Before This Committee

The June 17 deadline to direct the City Attorney to prepare a November ballot measure is six weeks away. The Howard Jarvis Taxpayers Association has submitted signatures to the State that are likely to qualify a much broader initiative for the November ballot that would terminate ULA and numerous other local taxes. If that measure qualifies, it will set the terms of any ULA reform. Starting meaningful ULA reform now, on the City's terms, is the most effective way to protect its long-term revenue base.

Voters approved ULA to house and protect Angelenos. But today, ULA is suppressing the housing those voters thought they were funding, taxing the backbone housing and jobs-producing properties it was designed to leave alone, and sitting on hundreds of millions in reserve — with less than 1% of total collections reaching affordable housing construction. The research confirms that ULA is causing real damage to our local economy. There is still a short window to act decisively and control our city's destiny. We must act now if there is any hope of protecting this important funding source for L.A.'s low-income renters. We urge you to act.

Respectfully submitted,

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