HOUSING & HOMELESSNESS

MOTION

In November 2022, nearly 60% of voters in the City of Los Angeles approved Measure ULA (United to House LA), which established a dedicated documentary transfer tax to fund the production of affordable housing and homelessness prevention programs. Since its implementation in April 2023, the measure has generated over $1 billion in revenue, providing essential resources for tenant protection, eviction defense, and the construction of new affordable homes.

The primary intent of Measure ULA is to leverage high-value real estate transactions to address the city's chronic housing shortage. However, the successful execution of property transfers often requires complex financial and legal structures. Non-profit organizations frequently utilize subsidiary support corporations to isolate liabilities associated with real estate acquisition in order to protect their core operational assets. These structures are critical for managing risk, securing financing through loans and grants, and complying with the requirements of various public and private funding sources. An unintended consequence is the taxation of these support corporations created by non-profit organizations seeking to acquire properties to fulfill their missions, whether it be for housing or non-housing purposes.

Subjecting newly formed non-profit subsidiaries to redundant requirements delays property acquisition timelines and increases administrative costs for both the city and the charitable entities. Non-profit property acquisition serves vital public interests beyond affordable housing, including the establishment of community centers, medical clinics, educational institutions, and environmental conservation sites. Newly created non-profit entities remain strictly regulated under state corporate law and federal Internal Revenue Service (IRS) guidelines, ensuring continued transparency and public accountability without duplicative local administrative burden.

Currently, the ULA is written to allow tax exemptions for non-profit organizations that have been in good standing with the IRS for at least 10 years, carry assets less than $1 billion, are government entities, or are exempt from the city's taxing power through state or federal constitutions. While existing rules provide pathways for Limited Liability Companies (LLCs) or Limited Partnerships (LPs) managed exclusively by non-profits to qualify for exemptions, there is a need for greater technical clarity regarding property transfers to non-profit entities created specifically for property acquisitions, and which rely upon the tax exemption status of the qualified originating non-profit organization.

I THEREFORE MOVE that the City Council instruct the Chief Legislative Analyst, with the assistance of the Office of Finance, to present the proposal to the ULA Citizen Oversight Committee (COC) pursuant to LAAC 22.618.8(b) for review so that the ULA COC may express an opinion on whether the exemption proposal, and its potential retroactive application, furthers the purposes of Measure ULA and is consistent with the expenditure categories of Measure ULA.

I FURTHER MOVE that the City Council instruct the Office of Finance to report back within 90 days to identify non-profit organizations that would have fallen under this amendment.

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I FURTHER MOVE that the Office of Finance, in consultation with the City Attorney, provide the feasibility of retroactively extending the exemptions and refunding those collections to the appropriate non-profit entity.

PRESENTED BY ______________________

TIM McOSKER
Councilmember, 15th District

SECONDED BY ______________________

ORIGINAL