UCLA Lewis Center for Regional Policy Studies

Taxing Tomorrow:
Measure ULA's Impact on Multifamily Housing Production and Potential Reforms

Summary of research findings and recommendations
June 9, 2025

Shane Phillips, UCLA Lewis Center for Regional Policy Studies

Presentation Outline

A timeline of transfer tax advocacy, reform, and implementation since 2020

2020	A call for tax reform
2021	Measure ULA
2022	Concerns with ULA
2023	Problems after implementation
2024	Identifying the cause, measuring the effect
2025	What’s next?

A Call for Transfer Tax Reform

2020 report on revenue potential and policy design

Arguments for progressive transfer tax reform

- The city was facing a major budget shortfall
- Property tax reform was off the table, sales taxes are regressive
- Transfer taxes are wealth taxes where the tax “base” is set by the market rather than the government
- LA’s transfer tax was low and could raise a lot of revenue
- A higher, broad, progressive transfer tax could shrink disparities between property owners and renters
- It could also be designed to minimize distortions in the housing market

Recommendations for tax policy design

A reformed tax should be:

- Broad
- Progressive
- Graduated
- Marginal
- Targeted (somewhat)
  - Exempt first sales of multifamily and commercial development
  - Higher rates for owners who benefited most from Prop 13



Measure ULA

An affordable housing developer
and labor-backed initiative

Measure ULA

- 4% tax on sales over $5M and under $10M, 5.5% on sales $10M and over
- Annual inflation adjustment for thresholds
- Sales exempt from the tax when buyer is a non-profit
- Revenues allocated to support affordable housing and homelessness reduction
    - Up to 45% on affordable housing development
- Written and backed by affordable housing non-profits + labor



Concerns with ULA

Details of the tax raise concerns about its efficacy and effect on housing production

Measure ULA proposal vs. tax policy recommendations

- ~~Broad~~
- Progressive
- ~~Graduated~~
- ~~Marginal~~
- ~~Targeted (somewhat)~~
  - ~~Exempt first sales of multifamily and commercial development~~
  - ~~Higher for owners who benefited most from Prop 13~~

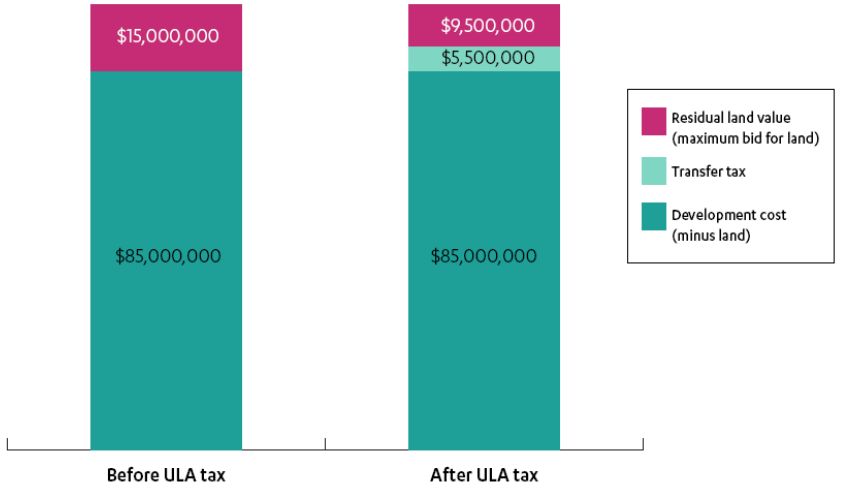
Why might Measure ULA depress housing production?

- If land is ~20% of TDC, a 4% or 5.5% tax adds about 1%
- If you sell after building your project, you pay another 4% or 5.5%
- This is certainly enough to shift some projects from “go” to “no go”

Can’t they just pay less for land?

- Developers can’t charge arbitrarily high rents to offset higher costs, but they can pay less for land
- But a 5.5% tax on completed projects reduces residual land value by *a lot*
- And land owners aren’t obligated to sell to developers
- If fewer parcels sell to developers, fewer homes get developed

Figure 1.
Illustration of How a 5.5% Transfer Tax Can Lower Residual Land Value by Over 35%

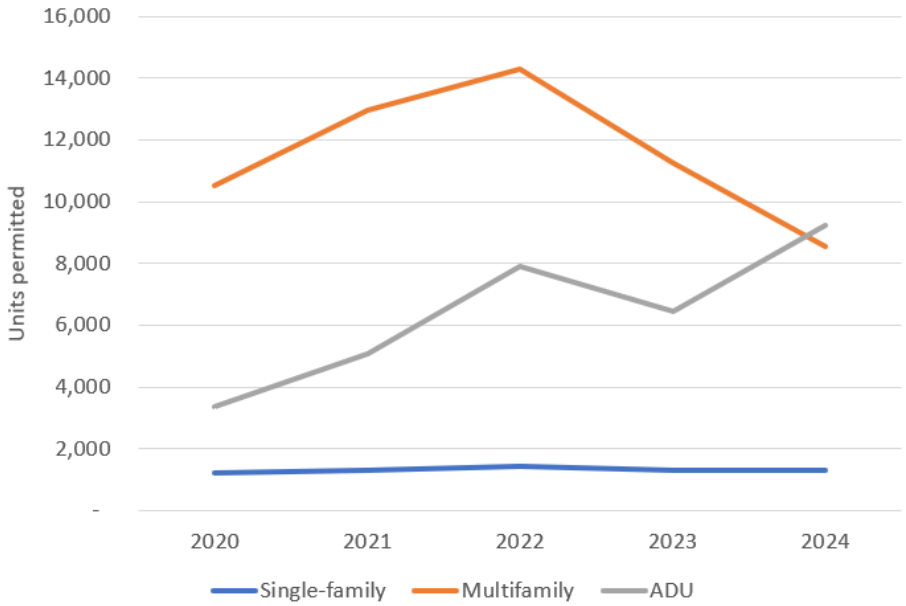


Problems after implementation

Housing production takes a
nose dive

Permitting falls sharply in 2023 and again in 2024

- Measure ULA went into effect April 1, 2023
- Multifamily permitting peaked at 14,000 units the year before
- It fell below 9,000 by 2024 and was surpassed by ADUs for the first time



ULA affects project financing even if developers don’t intend to sell

One reason: Lenders (banks) plan for the worst-case scenario when lending money for development. If they foreclose on the project, they’re going to sell it, and so developers still need to budget for the tax even if they don’t plan to sell after completing their projects.

Identifying the cause, measuring the effect

Estimating ULA's role in declining multifamily production

How can we be sure Measure ULA is to blame?

Around the same time:

- Interest rates rose sharply
- Labor and materials costs increased
- Permitting fell all over the country, not just in LA

It’s also only two years since ULA was adopted and development is slow, so could we see the impacts this early?

How we test whether ULA is *causing* the slowdown

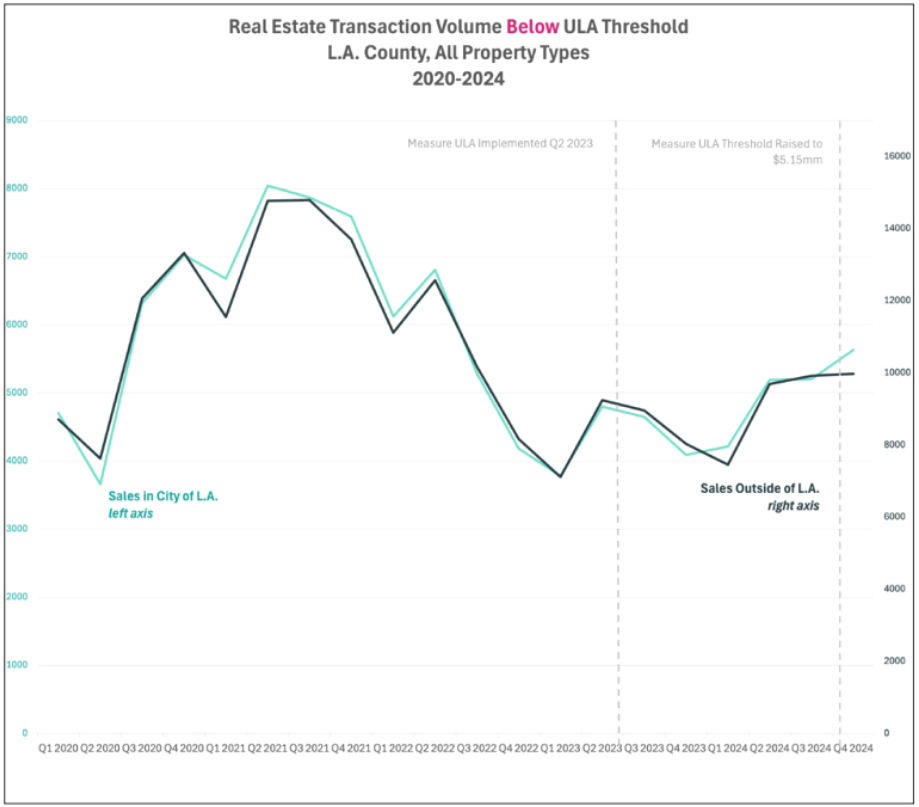
- Real estate sales and permitting are down everywhere, but if macroeconomic conditions are the cause then the whole region should be affected similarly
- If sales in the city of LA:
  - Were on the same trend as other LA County jurisdictions before April 2023, and
  - After April 2023, declined *more* than sales in jurisdictions that didn't increase their transfer tax
- Then Measure ULA is the cause of the excess decline in sales

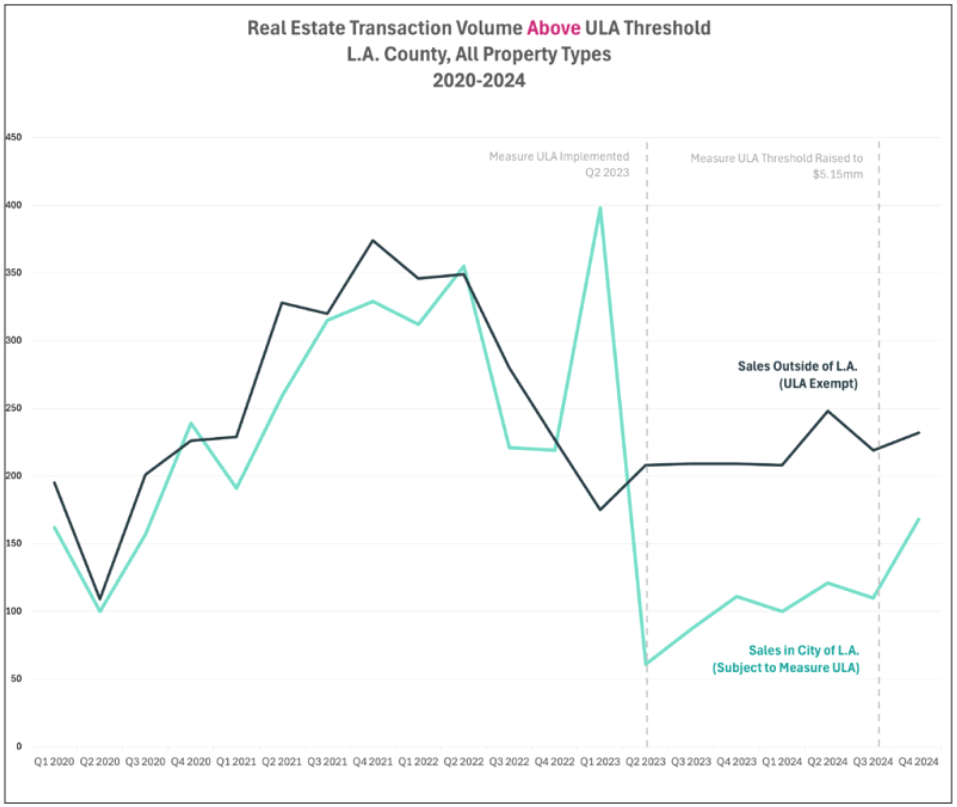
Data sources

- Real estate transaction data for January 2020–December 2024 from Commonwealth Land Title Insurance Company
  - Data originally sourced from LA County Assessor
- Parcel data (zoning, land use, building age, etc.) from LA County Assessor and Southern California Association of Governments
- Multifamily entitlement data from LA City Plannning
- Multifamily permit data from LA Dept of Building and Safety

Non-city of LA jurisdictions: Unincorporated Los Angeles County, Burbank, Glendale, Inglewood, Lancaster, Long Beach, Pasadena, Pomona, Santa Clarita, and Whittier

Sales over $5 million fell much more in the city of LA





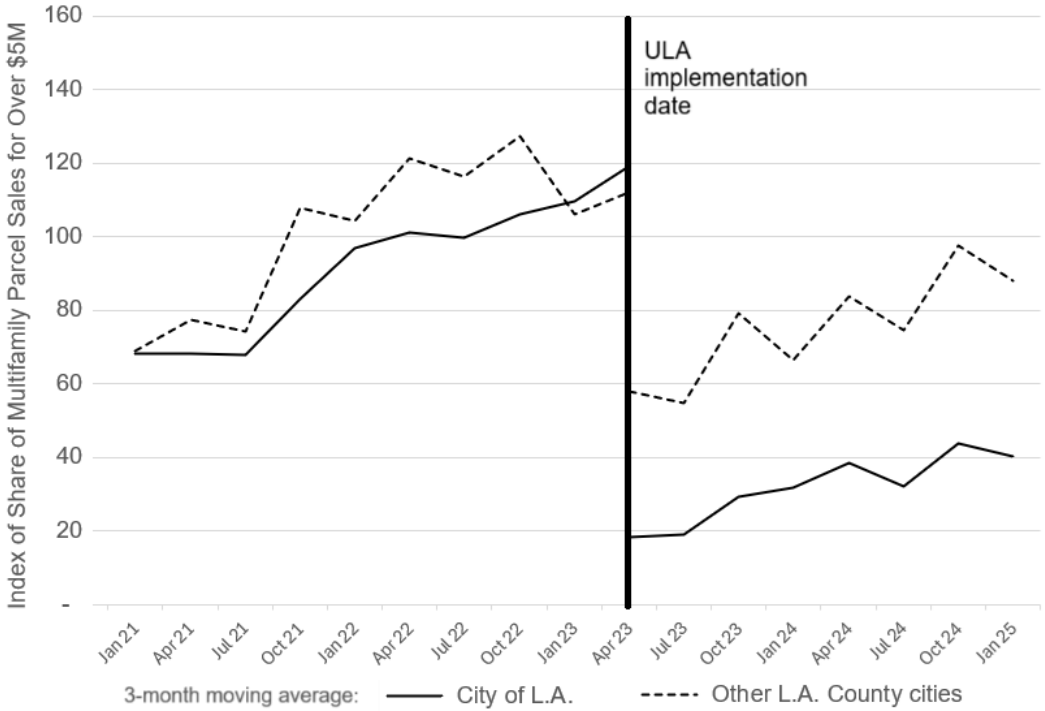
ULA is reducing sales, but what about redevelopment?

- It's not good if parcel sales are down, but it doesn't mean *sales of parcels that will become new housing* are down
- So we narrow our focus:
  - First, we identify parcels zoned for dense multifamily housing and heavily underdeveloped, and estimate ULA's effect on those sales
  - Next, using permit data, we estimate the number of units that will later be developed on the parcels that *do* sell
- If we can show that multifamily-eligible parcel sales are down *and* fewer homes are subsequently permitted on those parcels, then we can estimate ULA's effect on multifamily production

Sales are down for strong MF development candidates

Moving average shows *much* sharper decline in the city of LA compared to other LA County jurisdictions

Non-city of LA jurisdictions: Unincorporated Los Angeles County, Burbank, Glendale, Inglewood, Lancaster, Long Beach, Pasadena, Pomona, Santa Clarita, Whittier



Statistical analysis shows ULA caused ~50% decline in sales of parcels with redevelopment potential

- After ULA, the share of MF parcel sales over $5M fell by:

  10.7 p.p in LA
  -1.7 p.p. outside LA
  = 9.0 p.p. excess decline in LA

- **This is a 52% decline *above and beyond* what can be blamed on outside factors**
- Alternatively, MF parcel sales fell 62% in the city of LA and only 20% in the other jurisdictions

Regression analysis w/ controls and event study models show very similar results

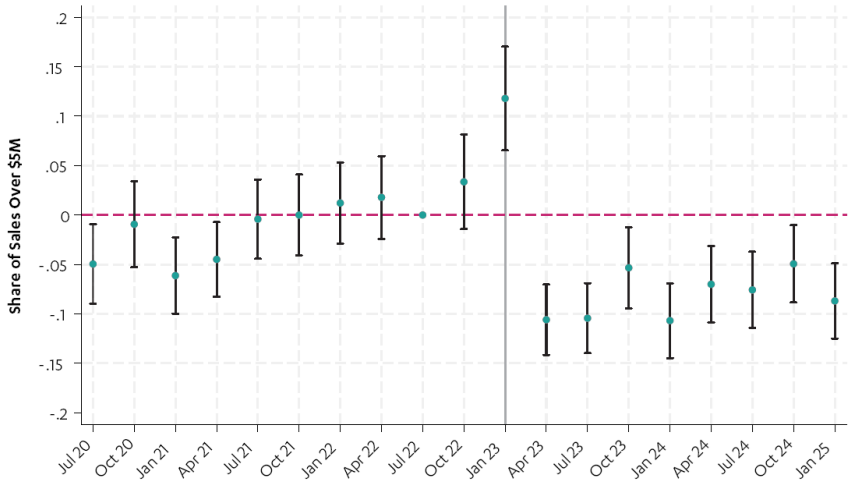
Table 2.

Difference-in-Differences Results for Multifamily-Zoned Parcel Transactions for Over $5 Million

	(1)	(2)
City of L.A.	0.075*** (0.010)	0.060*** (0.009)
Post-ULA	-0.015 (0.014)	-0.005 (0.013)
Post*City of L.A.	-0.077*** (0.016)	-0.074*** (0.014)
Constant	0.085*** (0.009)	0.098*** (0.010)
Controls	N	Y
N	9,044	9,044
Adj. R^2	0.018	0.173

Figure 5.

Event Study Results for Multifamily-Zoned Parcel Transactions for Over $5 Million



Linking reduced parcel sales to declining production

Parcels identified as development candidates were subsequently permitted for thousands of units in the years after being sold

Figure 8 shows permits issued on these parcels within one year of sale

Notable decline post-ULA

Figure 8.

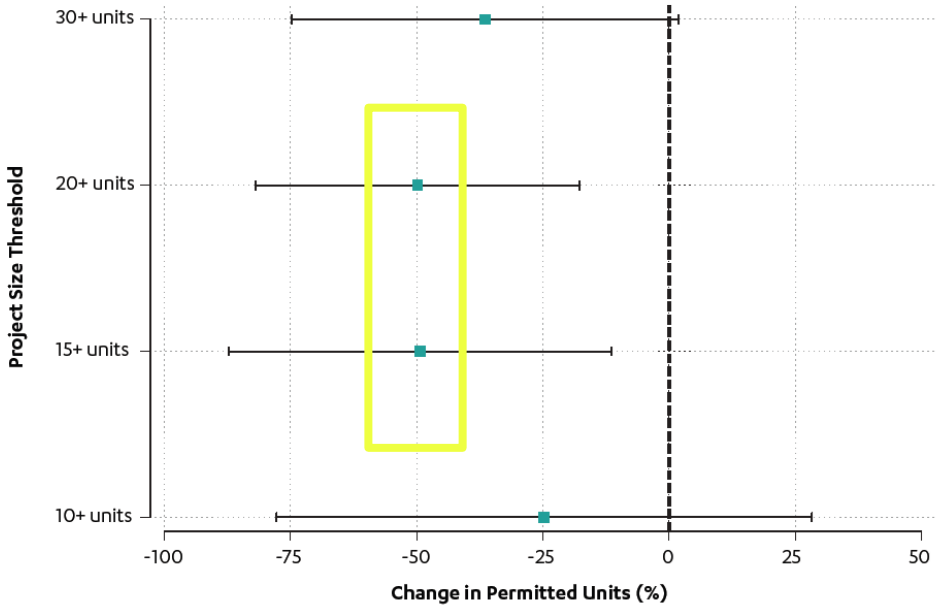
Permitted Units Associated with Sales of Parcels Zoned for High-Density Multifamily Development (20+ Units) in Los Angeles



Roughly 50% fewer units permitted on MF parcels

Figure 9.

Estimated Change in Permitted Units Associated with Sales of Parcels Zoned for High-Density Multifamily Development in Los Angeles After Implementation of Measure ULA



1,910 units

Estimated number of units per year that are not being built, by developers who don’t receive public subsidies, because of Measure ULA

168 units

Number of income-restricted units per year that are not being built, by developers who don’t receive public subsidies, because of Measure ULA
(1,910 * 80% mixed-income * 11% income-restricted = 168)

Our estimates are conservative

- We do not capture any reduction in development by long-term land owners who are redeveloping without selling to someone else
- We also miss projects on parcels that sell but we do not identify as having high redevelopment potential
- And we may not capture reductions in development by for-profit affordable housing developers, who are similarly negatively impacted by the tax

Are the benefits of Measure ULA worth the cost?

- If we look at all the revenues raised by ULA (~$300M/year, likely to increase over time), then some could argue that it's worth the loss in market-rate and mixed-income production
- But the problem isn't ULA itself, as a whole — it's that ULA discourages multifamily development
- Applying the tax to recently built projects is what deters them

- **So, what is the benefit *of taxing recently built projects?***

Very few ULA revenues come from sales of recently built multifamily projects

- We linked sales data to building data to estimate the age of buildings at time of sale
- Since ULA went into effect, about 8% of revenues came from multifamily built within 15 years of sale
- 5% of revenues came from comm. and ind. <= 15 years old

Table 5.

Annualized Transfer Tax Revenue Estimates by Building Type and Age

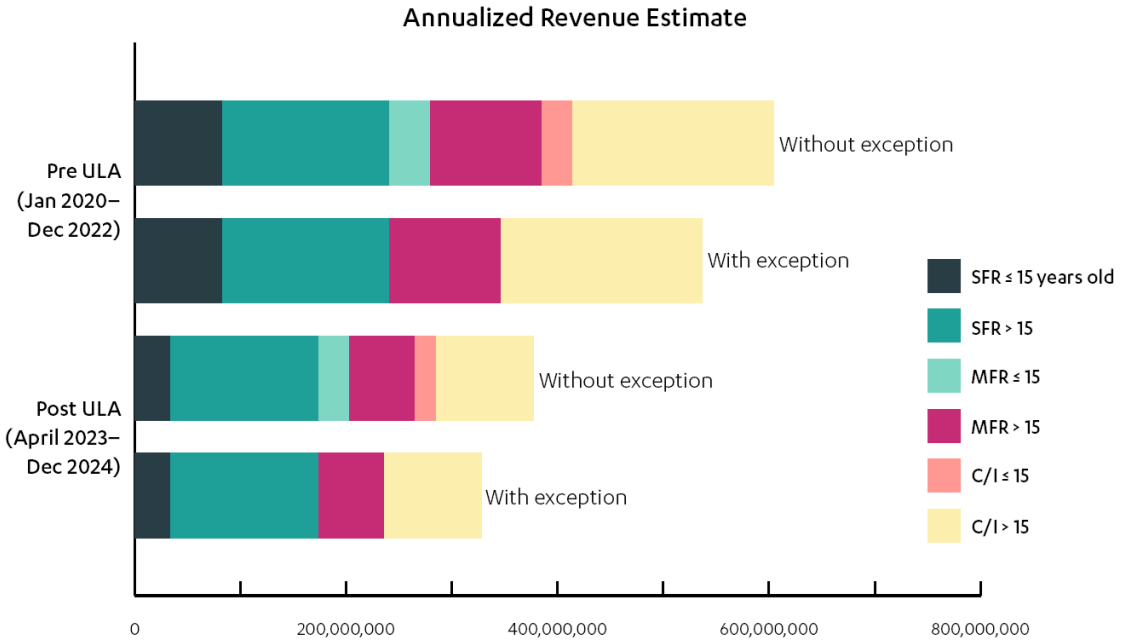
Building Type	Building age at sale	Pre-ULA	%	Post-ULA	%
Single-family	Over 15 years	158,494,282	26	140,640,302	37
	15 or fewer years	82,076,749	14	32,889,155	9
Multifamily	Over 15 years	105,093,365	17	62,090,372	16
	15 or fewer years	38,770,557	6	28,623,994	8
Commercial and Industrial	Over 15 years	191,202,507	32	92,489,347	25
	15 or fewer years	29,221,222	5	20,429,229	5
Total	**All**	**604,858,682**	**100**	**377,162,398**	**100**

NOTE: The pre-ULA period is January 2020 through December 2022 (excludes three months before Measure ULA implementation) and the post-ULA period is April 2023 through December 2024. The pre-ULA period shows estimated revenues if the Measure ULA tax had been in effect during this period and had not affected buyer and seller behavior. All estimates are annualized and in dollars.

ULA revenues

Figure 10.

Estimates of Annualized Transfer Tax Revenue by Building Type and Age, With and Without Exemption for Multifamily, Commercial, and Industrial Buildings Up to 15 Years Old



NOTE: SFR = single-family residential; MFR = multifamily residential; C/I = commercial/industrial. Each property type is separated into buildings up to 15 years old and over 15 years old at year of sale. The pre-ULA period shows estimated revenues if the Measure ULA tax had been in effect during this period and had not affected buyer and seller behavior.

Revenues from sales of newer multifamily can subsidize only about 70 additional units per year

- We assume an average cost of $672,000 per unit (Ward, 2025), with 60% paid with subsidies
- State and federal subsidies are fully subscribed and will not increase to match ULA funds

- **Taxing newer multifamily projects is therefore reducing income- restricted housing production by ~100 units per year**
  - There is still a deficit even if we cut ULA's per-unit subsidy in half

Reduced parcel sales (of any kind) also mean less property tax revenue

- Because of Prop 13, reduced sales mean fewer property reassessments
- Manville and Smith (2025) estimate ~$25MM reduction in annual property taxes
- Revenues are transferred from the County and school districts to the city of LA



What’s next?

Reform options and recommendations

How to interpret our findings

What they don't or can't say

ULA is doing more harm than good

ULA is reducing the supply of affordable housing in the city

ULA can only be fixed by abolishing it or making it a true "mansion tax"

(Basically, anything about ULA writ large)

What they do say

ULA is reducing sales of parcels with strong multifamily redevelopment potential

This reduction is *caused by ULA* and *above and beyond* declines seen in other cities

The reduction in parcel sales is associated with a reduction in permitted units, including income-restricted units

Exempting sales of newer multifamily projects should increase overall production of market-rate *and* income-restricted units

Recommendations

- Sales of multifamily buildings should be exempt from the Measure ULA tax within 15 years of certificate of occupancy
- This exemption should extend to fully market-rate buildings, which contribute linkage fees and property taxes, improve affordability, and generate little ULA revenue
- The same applies to commercial and industrial projects, which support local job growth and already face severe headwinds
- Both LA City Council and the state legislature should engage in reform

LA City Council has limited authority to amend ULA

- Council can amend the ordinance to further its purposes, which include increasing the supply of affordable housing
- As we show, exempting buildings from the tax within 15 years of sale is likely to increase the affordable housing supply (among other benefits)
- There is also a case that exempting fully market-rate projects and commercial and industrial projects increases affordable housing supply and/or funding, but we have not investigated it

The state should also pass a law establishing transfer tax “guard rails”

We suggest this for several reasons:

- LA City Council may be unable to make reforms that best serve the city, either legally or politically
- Some cities (Santa Monica, San Francisco) have passed similarly flawed measures and may not be able or willing to reform them
- Other cities may adopt problematic transfer taxes in the future, either in good faith or intending to stymie development

Assembly Bill 698 (Wicks) requires analysis of transfer tax impacts

Bill Text

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 37100.6 is added to the Government Code, to read:

37100.6. Before a legislative body, including, but not limited to, the legislative body of a charter city, adopts any transfer tax on the sale of real property, the legislative body shall develop and post on its internet website an analysis that examines, at a minimum, the effect of the proposed transfer tax on all of the following:

(a) The production of affordable housing, including affordable housing produced by market-rate housing projects.

(b) The production of market-rate housing units.

(c) Property tax revenue for the city, county, state, and any relevant special districts.

SEC. 2. The Legislature finds and declares that (a) property tax receipts are reduced by fewer property sales and ~~that~~ a reduction in property tax has a countywide impact, and (b) the provision of adequate housing, in light of the severe shortage of housing at all income levels in this state, are matters of statewide concern and are not municipal affairs as that term is used in Section 5 of Article XI of the California Constitution. Therefore, Section 1 of this act adding Section 37100.6 to the Government Code applies to all cities, including charter cities.

UCLA Lewis Center for Regional Policy Studies

Stay up-to-date

lewis.ucla.edu/subscribe
shanephillips@ucla.edu