

Lawmakers seek to overhaul L.A.'s 'mansion tax' to help boost housing - Los Angeles Times

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Measure ULA supporters at a December event.

(Ringo Chiu/For The Times)

Lawmakers in Sacramento unveiled a proposal this week to overhaul Measure ULA, the so-called mansion tax in Los Angeles, as part of a larger gambit to keep a statewide tax cut measure from making it onto next year's ballot.

The legislation, negotiated in part by Mayor Karen Bass, would make pivotal changes to Measure ULA, which was passed by city voters in 2022 and provides hundreds of millions of dollars for programs to address and prevent homelessness.

Senate Bill 423, co-written by state Sen. Lena Gonzalez and Assemblymember Tina McKinnor, seeks to strip away parts of Measure ULA that have been viewed by critics as harmful to housing production in L.A. The bill would significantly reduce the taxes that are imposed by Measure ULA for sellers of apartment buildings, offices and shopping centers — if those structures were built within the last 15 years.

ULA, which [levies a tax](#) on L.A. property sales above \$5.3 million, generates funding for rental subsidies, affordable housing and other programs aimed at tackling the housing crisis. Although backers say it is working as intended, critics contend that it helped trigger a slowdown in local housing production, chasing away real estate development and making the affordability crisis worse.

“It was sold as a mansion tax, which means big houses for rich people, but it actually had a chilling effect on housing construction, particularly apartments,” said former Assembly Speaker Bob Hertzberg, who was tapped by Bass to work out the details of the legislative proposal.

Hertzberg, a former San Fernando Valley lawmaker who now lives in Ventura County, said he's hoping the bid to overhaul Measure ULA will spur business leaders, advocacy groups and others to withhold support for a ballot proposal drafted by the Howard Jarvis Taxpayer Assn., which would put new limits on local tax hikes and nullify Measure ULA within two years.

Under SB 423, the changes to ULA would go into effect only if the Howard Jarvis measure fails to reach the ballot next year.

Jon Coupal, president of the Howard Jarvis Taxpayers Assn., described the bill as a “lame effort” to sabotage his group's ballot measure, which is known as the [Local Taxpayer Protection Act](#). That measure would place a new cap on local taxes on property sales, restore the two-thirds requirement for voter approval of local taxes and nullify Measure ULA — as well as two dozen other local taxes up and down the state.

“If they think they would somehow convince us to either drop the initiative or delay it somehow, they're mistaken,” Coupal said.

Some backers of Measure ULA voiced alarm at the new legislation, saying state lawmakers are trying to thwart the will of L.A. voters during the final days of Sacramento's legislative session.

When voters passed Measure ULA in 2022, they delivered a clear message that L.A. needed a lot more money to keep people housed — “and that wealthy property owners and buyers and sellers should pay,” said David Levitus, executive director of LA Forward, a progressive nonprofit group that backed ULA.

“The idea that the state Legislature is going to hop in and override the will of the voters and do it with the support of some powerful local elected officials and interests is outrageous,” Levitus said.

State Assemblymember Mark Gonzalez (D-Los Angeles), pushed back on such arguments, saying state lawmakers — working closely with Bass — are trying to protect Measure ULA, which he called “a measure that needed to be fixed.”

“When I was chair of the Los Angeles County Democratic Party, we fought hard to get it passed,” he said. “But the return on that investment has stalled. Now, our job is to step in, fix it legislatively, and make it deliver on the promise we fought for.”

Proponents of ULA have repeatedly argued that it is too early to judge the measure's effects on housing construction and say other factors have held back development in L.A., such as rising interest rates. ULA is funneling much-needed funding to affordable housing construction, rent relief and eviction protection, they said.

Since it took effect, Measure ULA has raised more than \$800 million. The city has been slow to spend the funds but recently has started to roll out specific plans. Last week, officials started accepting developer applications to spend [more than \\$300 million](#) to build and preserve affordable housing.

Joe Donlin, director of the coalition behind ULA, said if the proposed changes become law, the city would have 15% to 30% less to address the housing affordability crisis.

“This would devastate revenues,” he said. “This is Los Angeles’ most meaningful resource to address homelessness and the housing crisis. Where are you going to cut?”

In an interview, Hertzberg pushed back on such fears, saying the changes would serve as an “economic stimulus” for L.A., by spurring new development and construction.

Hertzberg said SB 423 would also ensure that Measure ULA will not apply to the sales of properties of people who lost their homes in this year’s Palisades fire for the next five years.

Beyond that, he said, the legislation offers technical changes to ensure that affordable housing developers who rely on Measure ULA funding can qualify for a bank loan. Those technical changes would take effect even if the Howard Jarvis measure qualifies for the ballot.

The real estate industry, as well as housing economists, have argued ULA has hurt construction by making development more costly in two ways.

One is that developers of new apartment buildings sometimes sell their new properties after completion, triggering the ULA tax. Even if they don’t sell, lenders take into account what the properties could sell for if a developer defaults and may charge more for a loan in the first place.

Under SB 423, Measure ULA would still apply a 4% tax rate on the sale of single family homes over \$5.3 million and 5.5% on homes worth \$10.6 million and above.

However, the tax rate would fall to 1.5% for apartment buildings, retail centers, warehouses and other commercial properties that under 15 years old.

If lawmakers succeed in cutting Measure ULA’s tax rate, L.A. should expect to see more housing construction, said Dave Rand, a land-use attorney who represents apartment developers.

“This is a very significant, welcomed proposed change,” he said.