

September 3, 2025

**TO: THE HONORABLE DEMOCRATIC MEMBERS  
OF THE CALIFORNIA LEGISLATURE (VIA EMAIL)**

**FROM: MICHAEL SOLOFF  
AN OFFICIAL PROPONENT OF SANTA MONICA MEASURE GS**

Dear fellow Democrats:

My name is Michael Soloff and I am one of the official proponents of Santa Monica Measure GS, a citizens' initiative which was passed by the voters in November 2022. Like Measure ULA in the City of Los Angeles, Measure GS is a real property transfer tax. But the Measure GS transfer tax structure and spending plan are unique to Santa Monica, as was the content of the successful electoral campaign. I also am an elected member of the Los Angeles County Democratic Party Central Committee from AD 51, a leading *pro bono* tenants' rights attorney, a former Chair of the Santa Monica Housing Commission, the current Chair of the Measure GS Resident Oversight Committee, a Co-Chair of Santa Monicans for Renters' Rights, and a member of the Executive Board of the Santa Monica Democratic Club.

More than one out of every ten registered voters in Santa Monica (some 10,000 in total) signed petitions to put Measure GS on the ballot, and 53.5% of the electorate voted for its adoption (notwithstanding a very well-funded opposition campaign). Measure GS was endorsed by the Los Angeles County Democratic Party (as was Measure ULA), endorsed by the Santa Monica Democratic Club, and endorsed by Santa Monicans for Renters' Rights. My wife and I personally spent over \$400,000 to gather signatures for and to pass Measure GS. My wife and I (both litigation attorneys) also successfully litigated *in pro per* as official proponents of Measure GS, together with the City of Santa Monica, when Measure GS was unsuccessfully challenged in court by the California Business Roundtable.

I now am advised by those involved in Measure ULA that it appears that Assemblymember Wicks is working to put into a potential trailer bill for this session some provision (the contents of which are currently unknown) that would seek to alter the Measure ULA transfer tax, and presumably other transfer taxes such as Measure GS. I am writing to urge you to advise Assemblymember Wicks that you oppose any such effort. As detailed below, use of a trailer bill at this late stage to avoid public input and considered debate about overriding citizens' initiatives that seek to address the housing needs of our most vulnerable neighbors is what one would expect from Trumpists, not from California's Democratic leaders. Moreover, the think tank papers upon which Assemblymember Wicks is relying fail to make a convincing policy case for the State to override the voter-approved provisions of either of these Measures in the manner they suggest, and thereby to deprive thousands of distressed lower-income renters the financial, legal and other assistance they desperately need.

**I. EXECUTIVE SUMMARY**

Any attempt to use a trailer bill at this late date to make purportedly preemptive changes to Measures ULA and GS—thereby circumventing the robust public process that committee

hearings in both the Assembly and Senate provide—should be rejected out of hand on purely procedural grounds. Such a trailer bill would represent a massive affront to (1) the individuals and organizations that worked so hard and spent so much money to qualify and pass Measures ULA and GS, (2) the more than 100,000 Los Angeles and Santa Monica registered voters who signed petitions to place Measures ULA and GS on the ballot, (3) the more than one-half million Los Angeles and Santa Monica voters who voted in favor of Measures ULA and GS in November of 2022, and (4) the members of the Los Angeles County Democratic Party Central Committee who took the extraordinary step of opposing AB 698 (a bill introduced by Assemblymember Wicks earlier this session to require impact studies before new transfer taxes are adopted, that is now parked in the Senate) in part because of their concern that it might “be used as a vehicle to undermine LA’s Measure ULA and Santa Monica’s Measure GS” later in the legislative process. At a time when the Trump administration is running roughshod over democratic processes, Democratic leadership in California certainly should not engage in trailer bill or other last minute tactics that eliminate meaningful public participation and debate, particularly in an effort to override citizens’ initiatives such as Measures GS and ULA that seek to provide life-saving assistance to thousands of distressed lower income renter households.

Moreover, principles of democracy, good government, and home rule all dictate that the State should not act without very strong justification to override the terms of citizens’ initiatives passed by the voters in charter cities. Because Assemblymember Wicks sought to support AB 698 by reference to two recent papers that purport to analyze the impact of Measure ULA on real estate transactions (and that recommend that the State impose certain changes to Measure ULA and other local transfer tax measures), she presumably is relying on these papers to support any potential trailer bill. But neither of those papers make a convincing policy case for the State to override the voter-approved terms of Measure ULA—let alone Measure GS—in the manner the papers suggest, *even assuming their analyses of the purported impact of Measure ULA are fully accurate and predictive of the future* (an issue which I understand is the subject of a vigorous ongoing debate among academics). Here is why.

There can be no dispute that there is a severe rent burden crisis among lower income California households, and that this crisis is a major contributor to California’s homelessness crisis. And as is readily acknowledged by even the most ardent proponents of deregulating private sector housing development (such as the McKinsey Global Institute or Jenny Schuetz of the Brookings Institution), direct government intervention is necessary to address this lower-income rent burden crisis—and so to prevent the economic-based portion of California’s homelessness crisis. The validity of this conclusion is illustrated by the fact that the incidence of rent burden and severe rent burden among lower income households in Houston, Texas (a city *without zoning*) is only marginally better than it is in Los Angeles. And the validity of this conclusion is further reinforced by recent scholarship raising important questions about the extent to which deregulation can meaningfully address the supply and pricing problems in the housing market as a whole.

Despite this critical need for direct government intervention, there is a longstanding lack of adequate State funding to address the rent burden and homelessness crises. During the past 20 years, the highwater mark for State spending on affordable housing and homelessness (as a percentage of overall State spending) was during the period prior to the elimination of

redevelopment in 2011. Even that level of spending was inadequate, as both rent burden among lower income households and homelessness already had reached crisis proportions. Nevertheless, for the next seven years the State reduced by some 80% its spending on affordable housing and homelessness. And while the State substantially increased spending on affordable housing and homelessness during the period from FY 2018-19 through FY 2023-24, (1) on average that increased spending only approached, but did not quite reach, the same share of overall State spending as had existed during the period prior to elimination of the redevelopment program, and (2) it did not do anything to make up for the massive State disinvestment during FY 2011-12 through 2017-18. The last two budget cycles have not improved the situation.

Both Measure ULA and Measure GS are transfer tax measures passed by the voters in order to create a significant and ongoing local revenue stream to fund programs to address the rent burden crisis among lower income households, and to prevent and address associated homelessness. Although the details of the two measures differ to reflect what their respective proponents deemed best for their respective cities, both Measures set aside one portion of the revenue raised to fund the creation or preservation of deed-restricted affordable housing, and another portion to fund financial and legal assistance to distressed lower-income renters.

Earlier this year, two papers—one by Ward & Phillips, and one by Manville & Smith—purported to analyze the impact of Measure ULA during its first 20 months of operation. Both purported to find that Measure ULA reduced the incidence of property sales transactions large enough to be subject to the new transfer tax (although I understand there is a vigorous debate among academics regarding the accuracy of these findings). Ward & Phillips then purported to quantify the housing units lost on an annualized basis due to the reduction in market rate multi-family housing projects purportedly caused by Measure ULA, and to compare that number to the number of deed-restricted affordable housing units that could be built using the revenues Measure ULA raised on an annualized basis during that same period by taxing sales of multi-family housing during the first 15 years after its construction. Ward & Phillips purported to find that Measure ULA deterred the construction of an estimated 1910 multi-family housing units per year during this period, including an estimated 168 inclusionary deed-restricted affordable housing units that did not use any government subsidy (although I understand that there is a vigorous debate among academics over the accuracy of these estimations). As this analysis purportedly showed that applying Measure ULA to sales of multi-family housing during the first 15 years after its production would result in a loss of both some 100 net affordable housing units, as well as more than 1700 market rate units, Ward & Phillips concluded that the policy case had been made for the State to impose an exemption from Measure ULA for such sales. Without any further analysis, Ward & Phillips also urged that the State impose an exemption for sales of commercial and industrial properties during the first 15 years after construction. Ward & Phillips estimated that these two exceptions purportedly would reduce Measure ULA revenues by 8% and 5%, respectively. Without any further analysis, Ward & Phillips indicated that the State should also impose these exemptions on Santa Monica's and San Francisco's transfer taxes.

Manville & Smith focused instead on purporting to illustrate (but not on attempting to calculate) how the reduction in sales they purported to find associated with Measure ULA also reduced property tax revenues (because reassessment under Proposition 13 only occurs when a property is sold). Without any cost-benefit analysis whatsoever, Manville & Smith urged the State to

impose one or more of a variety of exemptions, including an exemption for all sales except single-family home sales. Manville & Smith also indicated that the State should impose these exemptions Statewide.

But neither of these papers presents a convincing policy case for overriding the voter-approved provisions of Measure ULA—let alone Measure GS—in the manner they suggest, *even assuming their analyses of the purported impact of Measure ULA are fully accurate and predictive of the future* (an issue which I understand is the subject of vigorous ongoing debate among academics).

*First*, neither paper presents any cost-benefit analysis in support of their proposals to exempt in whole or in part industrial and commercial property sales.

*Second*, the cost-benefit analysis presented by Ward & Phillips in support of their proposal to exempt multi-family housing sales for the first 15 years after construction is a grossly insufficient basis for State action. In particular, by focusing *exclusively* on comparing the number of affordable housing units that purportedly would be constructed with and without Measure ULA's tax on multi-family housing that is less than 15 years old, Ward & Phillips completely and inappropriately ignore both the homelessness prevention and tenant protection goals of Measure ULA, and the benefits generated by the Measure ULA's *other* programs which are designed to directly further those goals. For this and other reasons, Ward & Phillips are simply wrong when they assert that the creation of 72 affordable housing units per year properly represents the only benefit of the \$29 million per year initially raised by Measure ULA's tax on such properties, and that therefore the benefit of Measure ULA is clearly outweighed by the purported loss of 168 inclusionary housing units, as well as more than 1700 market rate units:

1. Using online data regarding the performance to date of various non-housing creation programs funded by Measure ULA, and accepting only for the moment the methodology Ward & Phillips used to calculate the affordable housing units Measure ULA can generate with funds devoted to that purpose (but see point 2 below), a more accurate (albeit still rough) estimate of the benefit of the additional \$29 million per year generated by Measure ULA's tax on multi-family projects within 15 years after construction is (1) the creation of 50 deed-restricted affordable housing units (70% of Ward & Phillips' estimate that using all \$29 million would create 72 such units), (2) the provision of emergency rental assistance to 188 extremely low-income households at risk of homelessness, (3) the provision of a \$20,000 lump sum payment to 133 households (75% extremely low income and 25% very low income) that include a senior or a person with a disability and that is at risk of homelessness, (4) the provision of full scope legal representation to 1,221 lower-income households facing an eviction action, (5) the empowerment of 1,455 households to file tenant harassment complaints with the City, and (6) public education campaigns that would reach numerous other renter households.

It also is worth noting (particularly in light of the claims of lost property taxes) that all of these additional programs not only are critical lifelines for the members of the assisted renter households, but they also save the City, the County and the School District money by preventing homelessness. Based on a 2019 study that was previously cited by the Legislature in its findings in a bill it passed and that was co-authored by Assemblymember Wicks, a rough estimate of

those one-time savings (using the estimated number of households served set out above) is \$11.5 million per year.

2. The Ward & Phillips methodology for calculating the number of deed-restricted affordable housing units that will be generated by any funds Measure ULA devotes to those purposes is wrong, and results in a serious underestimation of the number of deed-restricted affordable housing units that Measure ULA either will create or keep in service using the portion of the Measure ULA revenues that are devoted to these purposes.

In particular, the Ward & Phillips paper bases its calculation on the express assumption that no public subsidy other than Measure ULA funding would be available to create these units. The paper purports to justify this assumption by predicting that it is “extremely unlikely” that there will be any increased State or federal funding for affordable housing creation. But this prediction has been proven wrong. Just a few months after the Ward & Phillips paper was released, the federal government *did* significantly expand such funding by (1) increasing by 12% the total of 9% Low Income Housing Tax Credits available, and (2) cutting in half the portion of a project’s cost that must be financed by tax free bonds in order to qualify for the otherwise unlimited 4% Low Income Housing Tax Credits (which could effectively double the number of projects able to receive those tax credits). Thus, contrary to Ward & Phillips’ assumption, Measure ULA will be providing critical—but much lower—gap financing amounts to projects seeking to take advantage of this new supply of Low Income Housing Tax Credits.

Moreover, Ward & Phillips’ assumption regarding the amount Measure ULA will have to pay per unit (1) ignores that projects funded under Measure ULA’s Alternative Models program can include up to 20% *market rate units*, which could dramatically lower the amount of ULA funds per unit that is required, and (2) ignores that several of Measure ULA’s programs allow or require using funds to acquire and/or rehabilitate—or to otherwise keep in service—existing deed-restricted and naturally occurring affordable housing that is at risk of being lost, all of which is less expensive than building new units.

3. The Ward & Phillips analysis also ignores the fact that the affordable housing units created or preserved under Measure ULA’s programs likely will better serve the Measure’s homelessness prevention and tenant protection goals than will inclusionary affordable housing units. Measure ULA units will include (and indeed, already have included) permanent supportive housing units (which are needed to address homelessness), units where tenants are empowered to help govern the project, and extremely low income units (which also are needed to address homelessness). By contrast, inclusionary units in market rate projects are never permanent supportive housing units, are never units where the tenants are part of project governance, and—at least in those instances where the source of the inclusionary requirement is State density bonus law—are not extremely low income units.

4. Ward & Phillips’s oblique suggestion that the market-rate units that purportedly will not be built due to Measure ULA could have provided some meaningful assistance to efforts to address the lower-income rent-burden and homelessness crises is not supported by any analysis.

In short, neither the Ward & Phillips paper nor the Manville & Smith paper present any credible and convincing cost-benefit analysis in support of the State taking any action to override the voter approved terms of Measure ULA.

*Third*, even if they had presented a credible and convincing case that some remedial action is required (which they have not), neither the Ward & Phillips paper nor the Manville & Smith paper present a convincing policy case for adopting their suggested State interventions. In particular, the two papers ask the State to take away Measure ULA revenue that is desperately needed to address the lower-income rent-burden and homelessness crises *without even considering, let alone analyzing*, other options that would *not* take away Measure ULA revenue. Such options include, at a minimum, the State (1) paying rebates (directly, or through credits against other State taxes) to the sellers of properties it wants to incentivize (e.g., developers of new multi-family housing), or (2) suspending the Measure ULA tax on transactions it wants to incentivize on the condition that the State deposits into the House LA Fund the amount of revenue Measure ULA was projected to raise if the suspended portion of the tax had remained in place. If the Manville & Smith paper is to be believed, the cost to the State of these approaches would be offset by new property tax revenues. A further option would be to adopt other incentives for desired transactions to proceed while still paying the Measure ULA tax. For example, Santa Monica—after discussion with multi-family housing developers—just adopted a pilot offsite affordable housing option and a local density bonus law that it believes will allow approved projects to proceed in the face of the current headwinds created by high interest rates, tariff issues, and construction labor issues, and to do so in contemplation of paying the Measure GS tax. Certainly the State should not move forward on any of the suggested “reforms” under any circumstances without first considering and evaluating these additional options, and without providing an opportunity for local dialogue regarding the best path forward.

*Fourth*, there are additional reasons for rejecting any attempt to override Measure GS. These include (1) the importance of preserving the opportunity for lower income households to live in Santa Monica in particular, given that it is a highly resourced community with one of the State’s best public school systems, temperate beach front weather, and a majority of political leaders and voters who have worked hard for 45 years to keep the City economically diverse, (2) the even greater reliance of Measure GS on financial assistance, legal services, and other programs in service of the goal of keeping lower income households in the City, (3) the complete flexibility in the portion of the Measure GS spending plan devoted to affordable housing preservation and creation to proceed in the most cost-effective manner possible, (4) the more devastating effect of the proposed “reforms” on Measure GS homelessness prevention and affordable housing programs, given that—unlike the situation with respect to Measure ULA—single-family home sales play only a tiny role in the revenue generating potential of Measure GS, and the first \$10 million of revenues raised goes to the School District, and (5) the ongoing effort in Santa Monica to incentivize multi-family housing projects to move forward in express contemplation of paying the Measure GS tax despite the current very trying economic times, a process that the State should allow to play itself out.

## **II. THE DETAILED EXPLANATION OF WHY USE OF A TRAILER BILL AT THIS LATE DATE SHOULD BE REJECTED OUT OF HAND**

In this session, Assemblymember Wicks initially introduced AB 698 as a bill limiting the ability of local jurisdictions to deny approvals for the construction of both lower-income deed-restricted affordable housing projects and homeless shelters. On March 28, Assemblymember Wicks gutted and amended the bill to instead require that a legislative body (including in charter cities) undertake certain housing production and property tax revenue impact studies before adopting new real property transfer taxes, and to require that the results of the mandated studies be included in the ballot materials for any measure placed before the voters seeking approval of a new transfer tax. The bill was referred to the Committee on Local Government, and prior to the April 30 hearing date various parties weighed in both in support and in opposition (including both the members of the Measure ULA coalition, and Santa Monica's for Renters' Rights, in opposition). AB 698 then was passed out of the committee after it was amended to eliminate the requirement of including the study results in ballot materials.

I arranged for AB 698 to come before the Los Angeles County Democratic Party ("LACDP") Central Committee's Legislative Committee on May 6. The Legislative Committee (after hearing from a member of Assemblymember Wicks' staff, as well as from a representative of Measure ULA and myself) recommended opposition to the bill, and then on May 13 the full Central Committee voted unanimously to oppose the bill. LACDP's letter in opposition states:

The Los Angeles County Democratic Party (LACDP) considers and debates many bills submitted by legislators, organizations, and members, and takes no pleasure in our members' unanimous vote to oppose AB 698.

It is extremely rare for LACDP to oppose a bill authored by a Democrat. Our mission is to support and elect Democrats, and to uphold democratic and Democratic values. But this legislation is such an affront to Los Angeles County in particular, we could not stay silent.

In Los Angeles County, voters in the City of Los Angeles and the City of Santa Monica, both charter cities, recently passed ballot measures to impose transfer taxes to raise hundreds of millions of dollars to fund affordable housing and homelessness prevention programs.

AB 698 not only discourages other cities from taking similar actions but can be used as a vehicle to undermine LA's Measure ULA and Santa Monica's Measure GS.

Our members do appreciate legislative attempts to address California's catastrophic homelessness crisis, but would encourage state lawmakers to explore rent subsidies and eviction protections rather than this usurpation of local authority and overriding choices Los Angeles County voters made at the ballot box.

LACDP is the official governing body of the Democratic Party in the County of Los Angeles and works in cooperation with the State and National Democratic Committees. LACDP is the largest local Democratic Party entity in the United States, representing more than 3.1 million registered Democrats.

While the Assembly nevertheless passed AB 698 in early June, the bill effectively has been parked in the Senate and has not been scheduled for—let alone received—a committee hearing.

Given this background, seeking at this late date to use a trailer bill to make purportedly preemptive changes to Measures ULA and GS—thereby circumventing the robust public process that committee hearings in both the Assembly and Senate provide—would represent a massive affront to (1) the individuals and organizations that worked so hard and spent so much money to qualify and pass Measures ULA and GS, (2) the more than 100,000 Los Angeles and Santa Monica registered voters who signed petitions to place Measures ULA and GS on the ballot, (3) the more than one-half million Los Angeles and Santa Monica voters who voted in favor of Measures ULA and GS in November of 2022, and (4) the members of the LACDP Central Committee who took the extraordinary step of opposing AB 698 in part because of the concern that it might “be used as a vehicle to undermine LA’s Measure ULA and Santa Monica’s Measure GS” later in the legislative process. At a time when the Trump administration is running roughshod over democratic processes, Democratic leadership in California certainly should not engage in trailer bill or other last minute tactics that eliminate meaningful public participation and debate, particularly in an effort to override citizens’ initiatives such as Measures ULA and GS that seek to provide lifesaving assistance to thousands of distressed lower income renter households.

**III. THE DETAILED EXPLANATION OF WHY NO CONVINCING POLICY CASE HAS BEEN MADE FOR PASSING A TRAILER BILL PURPORTING TO OVERRIDE MEASURES ULA AND GS**

**A. Measures ULA And GS Were Passed In Response To The Extreme Lack Of Adequate Funding For Homelessness Prevention Programs And Lower Income Affordable Housing Creation In Los Angeles And Santa Monica**

**1. Lower Income Californians Face A Housing Affordability Crisis That Helps Drive California’s Homelessness Crisis**

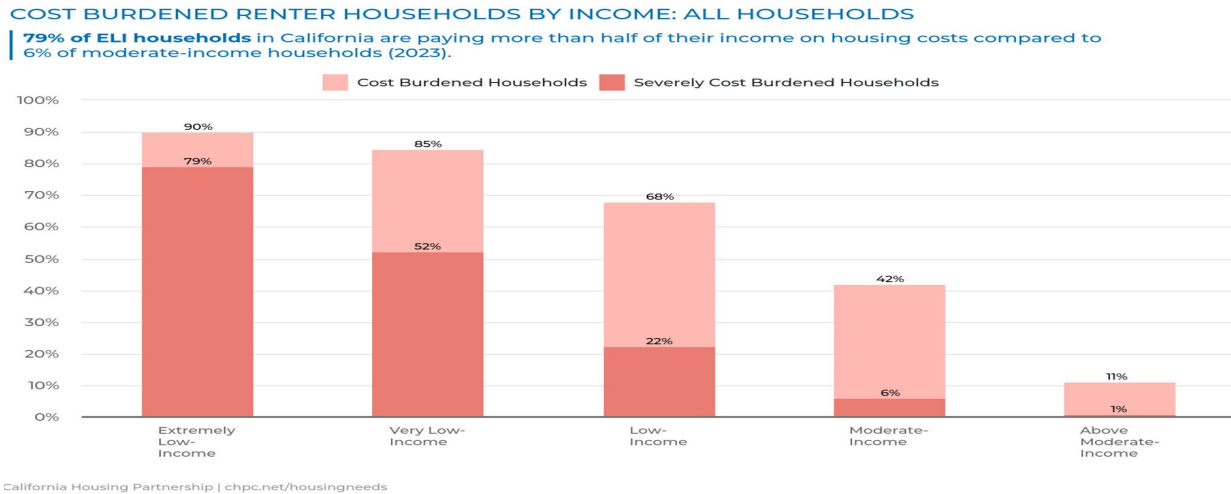
AB 698, as originally introduced by Assemblymember Wicks, included the following legislative findings:

The majority of California renters, more than 3,000,000 households, pay more than 30 percent of their income toward rent and nearly one-third, more than 1,500,000 households, pay more than 50 percent of their income toward rent.

When Californians have access to safe and affordable housing, they have more money for food and health care; they are less likely to become homeless and in need of government-subsidized services; their children do better in school; and businesses have an easier time recruiting and retaining employees.

It is important to recognize, however, that these problems are not spread equally among “all income levels”. Rather, these problems are heavily concentrated among—and have the most negative consequences for—lower income Californians.

First, the incidence of rent burden (paying more than 30% of income for rent and utilities)—and even more dramatically the incidence of severe rent burden (paying more than 50% of income for rent and utilities)—is heavily concentrated among lower income California households (as demonstrated by the following chart prepared by the California Housing Partnership<sup>1</sup>):



Second, the negative impact of rent burden and severe rent burden (which are based on the percentage of income spent on rent and utilities) *is greater* the lower the income of the household (as the Southern California Association of Governments has explained (*italics added*)):

the conditions of cost-burden have disproportionate impacts on lower income households. For example, a lower income household paying 40 percent of their

<sup>1</sup> Available at <https://chpc.net/housingneeds/?view=37.405074,-119.26758,5&county=California&group=housingneed&chartgroup=cost-burden-parent|current&chart=shortfall|current,cost-burden-all|current,cost-burden-oa|current,cost-burden-yc|current,cost-burden-re|current,cost-burden-re-inc,homelessness,overcrowding,overcrowding-ten,tenure-re,historical-rents,vacancy,asking-rents|2024,budgets|2023,funding|current,state-funding,multifamily-production,lihtc|2010:2024:historical,rhna-progress|5>. Extremely Low Income households have incomes that are 30% or less of the area median income (“AMI”); Very Low Income households have incomes that are more than 30% and up to 50% of AMI; Low Income households have incomes that are more than 50% and up to 80% of AMI; Moderate Income households have incomes that are more than 80% and up to 120% of AMI; and Above Moderate Income households have incomes that are more than 120% of AMI. See California Housing Partnership, “Methodology Documentation: Quantifying Housing Needs in California” at 33-35 (May 2025), available at <https://chpc.net/wp-content/uploads/2025/04/Housing-Needs-Dashboard-Methodology-2025.pdf>.

income on housing *has less remaining income available for other costs* than that of a higher income household that spends the same percentage on housing. *The lower the income of the household the more impact overpaying on household costs becomes.*<sup>2</sup>

*Third*, it is the rent burden and severe rent burden facing lower income households (especially the lowest income households) that is a major contributing cause of California’s homelessness crisis. For example, a 2023 Statewide study conducted by UC San Francisco concluded that, with respect to the 80% of those experiencing homelessness who did not enter homelessness directly from an institutional setting:

“Homelessness is inextricably linked to deep poverty. The median monthly household income preceding homelessness was \$960 (\$1400 for leaseholders and \$950 for non-leaseholders).”

“Precarious living situations often precede homelessness; 60% of participants in non-institutional settings prior to homelessness were not on a lease agreement.”

For these non-leaseholders, 57% were not paying any rent. Of the 43% of non-leaseholders who paid rent, 57% were rent burdened, including 41% who were severely rent burdened.

For the 40% of participants in non-institutional settings prior to homelessness who had a lease, 10% did not pay any rent. Of the 90% of leaseholders who paid rent, 66% were rent burdened, including 42% who were severely rent burdened.

“Leaseholders reported that an economic reason contributed to their homelessness more often than non-leaseholders. Non-leaseholders were more likely to report a social reason. However, participants spoke to structural conditions (e.g., high housing costs, crowded housing, low-income, etc.) that preceded the social reasons.”

“Most participants believed that interventions that provided financial assistance could have prevented their homelessness. Participants overwhelmingly believed that shallow monthly subsidies, a lump-sum payment, or rental assistance that reduced rental burdens would have been effective.”<sup>3</sup>

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<sup>2</sup> 8/2/19 SCAG Staff Report entitled “*6th Cycle RHNA (Regional Housing Needs Assessment: Proposed Allocation Methodology for Public Comment)*” at p. 9; accord Joint Center for Housing Studies of Harvard University, “*America’s Rental Housing 2024*” at p. 3 (2024). available at [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_Americas\\_Rental\\_Housing\\_2024.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2024.pdf).

<sup>3</sup> See UCSF, “*Toward a New Understanding: The California Statewide Study of People Experiencing Homelessness*” at pp. 32-33, 49 (June 2023), available at [https://homelessness.ucsf.edu/sites/default/files/2023-06/CASPEH\\_Report\\_62023.pdf](https://homelessness.ucsf.edu/sites/default/files/2023-06/CASPEH_Report_62023.pdf).

In short, both the incidence and negative impacts of rent burden in California (including the risk of homelessness) are heavily concentrated among lower income households.

**2. There Has Been And Continues To Be An Extreme Lack Of Adequate Funding For Homelessness Prevention Programs And Lower-Income Affordable Housing Creation**

**(a) *Only Direct Government Intervention Can Meaningfully Address The Rent Burden Crisis Facing Lower-Income Californians***

The severe affordability crisis faced by California’s lower-income households—and the part that crisis plays in California’s homelessness crisis—cannot be meaningfully addressed in any meaningful timeframe by deregulation of private sector housing development alone. As the McKinsey Global Institute (a strong proponent of deregulating private sector housing development) put it in 2016:

The tools that we have discussed—including identifying housing hot spots, unlocking supply by shifting incentives, and cutting the cost and risk of producing housing—could unlock millions of new market-rate housing units in California. This would expand housing supply and reduce housing costs for millions of Californians, *but this will not solve the problem for California’s most vulnerable residents. Low-income, special needs, and homeless individuals will require support to access housing.*<sup>4</sup>

Or as Jenny Schuetz, a Brookings Institution economist (and another strong proponent of deregulating private sector housing development), put it in 2022:

In short, housing affordability for poor families isn’t the same problem created by tight zoning regulations in cities like New York and San Francisco. *Millions of families across the United States cannot afford housing because their incomes are too low—a problem that implies different types of policy solutions.*<sup>5</sup>

Indeed, this point is clearly illustrated by comparing the incidence of cost-burden and severe cost-burden in the City of Houston, Texas (a city *without zoning*) and in the City of Los Angeles. In 2023, 51.4% of renter households in the City of Houston paid 30% or more of their incomes for rent and utilities, including 27.8% who paid 50% or more. This is only marginally better than

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<sup>4</sup> McKinsey Global Institute, “*A Tool Kit To Close California’s Housing Gap: 3.5 Million Homes By 2025*” at p. 36 (Oct. 2016) (italics added), available at <https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Urbanization/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.ashx>.

<sup>5</sup> Schuetz, J., *Fixer Upper: How to Repair America’s Broken Housing Systems* at p. 65 (2022) (italics added).

the 2023 situation in the City of Los Angeles, where 56.0% of renter households paid 30% or more of their incomes for rent and utilities, including 29.9% who paid 50% or more.<sup>6</sup> In addition, recent scholarship raises important questions regarding the extent to which deregulation of private sector housing development can materially alter the rent levels in California’s coastal cities. One article, published in May of 2024 by academics at Cal Poly Pomona and USC, compared development patterns from 1970 forward in the four largest metropolitan areas in each of California and Texas. The comparison revealed similar development patterns—moving from less expensive and faster housing development at low densities at the urban periphery (“greenfield land”) to more expensive and slower infill development at higher densities—except that the Texas cities lagged California cities by roughly 20 years due to the continued availability of greenfield land in the Texas cities for a longer period of time. The authors concluded:

We document a slow-moving shift in how the housing stock adjusts to new demand. It appears to be a natural byproduct of today’s metropolitan maturation. Regulation alone cannot explain these trends, nor can topography. Even MSAs with a reputation of easy development cannot guarantee enough housing supply when proximal greenfield land supply dwindles.

This conclusion has important implications for the future of housing affordability as MSAs grow larger and denser. Our findings suggest that Texas is moving more toward California-style outcomes with regard to housing supply—and therefore faces the prospect of rising house prices in the years ahead.<sup>7</sup>

A second article—a March 2025 working paper (revised in August 2025) by a researcher at the Federal Reserve Bank of San Francisco, by a second researcher at FRB-SF who also is with the National Bureau of Economic Research and UC San Diego, and by an academic at UC Irvine—investigated whether the quantity and price of housing across cities is meaningfully explained by standard measures of regulatory and topographical constraints. The investigation revealed that income growth, per capita income, and population growth fully explained the differences across cities, regardless of standard measures of regulatory and topographical constraints for the different cities. As the authors explain in the abstract to the working paper:

The standard view of housing markets holds that differences in the flexibility of local housing supply—shaped by factors like geography and regulation—explain differences in how house price and quantity growth respond to rising demand

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<sup>6</sup> These percentages are calculated using the renter cost burden data for the City of Houston and the City of Los Angeles reported at U.S. Census Bureau, U.S. Department of Commerce. "Gross Rent as a Percentage of Household Income in the Past 12 Months." American Community Survey, ACS 1-Year Estimates Detailed Tables, Table B25070 (accessed on 24 Aug 2025), available at <https://data.census.gov/table?q=B25070&g=160XX00US4835000> (Houston) and at <https://data.census.gov/table?q=B25070&g=160XX00US0644000> (Los Angeles).

<sup>7</sup> Orlando, A.W., & Redfearn, C. L., “Houston, you have a problem: How large cities accommodate more housing”, 52 Real Estate Economics 1045, 1072 (2024).

across U.S. cities. However, from 2000 to 2020, we find that higher income growth predicts the same growth in house prices, housing quantity, and population regardless of a city’s estimated housing supply elasticity. We find the same results when we examine rents, expand the sample to 1980 to 2020, use different elasticity measures, use per capita income or population growth instead of total income growth, and when exploiting a variety of plausibly exogenous variation in local housing demand. Using a general demand-and-supply framework, we show that these results imply that estimated housing supply constraints are unimportant in explaining differences in rising house prices among U.S. cities. Our conclusions challenge the prevailing view of local housing and labor markets and suggest that relaxing regulatory housing supply constraints may not materially affect housing affordability.<sup>8</sup>

In short, even the most avid proponents of deregulating private sector housing development acknowledge that direct government intervention is necessary to address the rent burden crisis facing lower income California households—and so to prevent the economic-based portion of California’s homelessness crisis. This conclusion is only further reinforced by recent scholarship raising important questions regarding the extent to which deregulation can meaningfully address the supply and pricing problems in the housing market as a whole.

***(b) The State’s Longstanding Underinvestment In Combatting The Rent-Burden Crisis And The Associated Portion Of The Homelessness Crisis***

The State has a longstanding history of underinvesting in programs to combat the rent-burden crisis faced by lower income Californians. In particular, the California Housing Partnership prepared the following chart of annual State funding (in nominal dollars) from FY 2008-2009 through FY 2023-2024 (prior to clawing back of some of these funds in the FY 2024-2025 budget) for programs serving low- and moderate-income homeowners, extremely low- and very low-income renters, and supportive services for individuals experiencing homelessness:<sup>9</sup>

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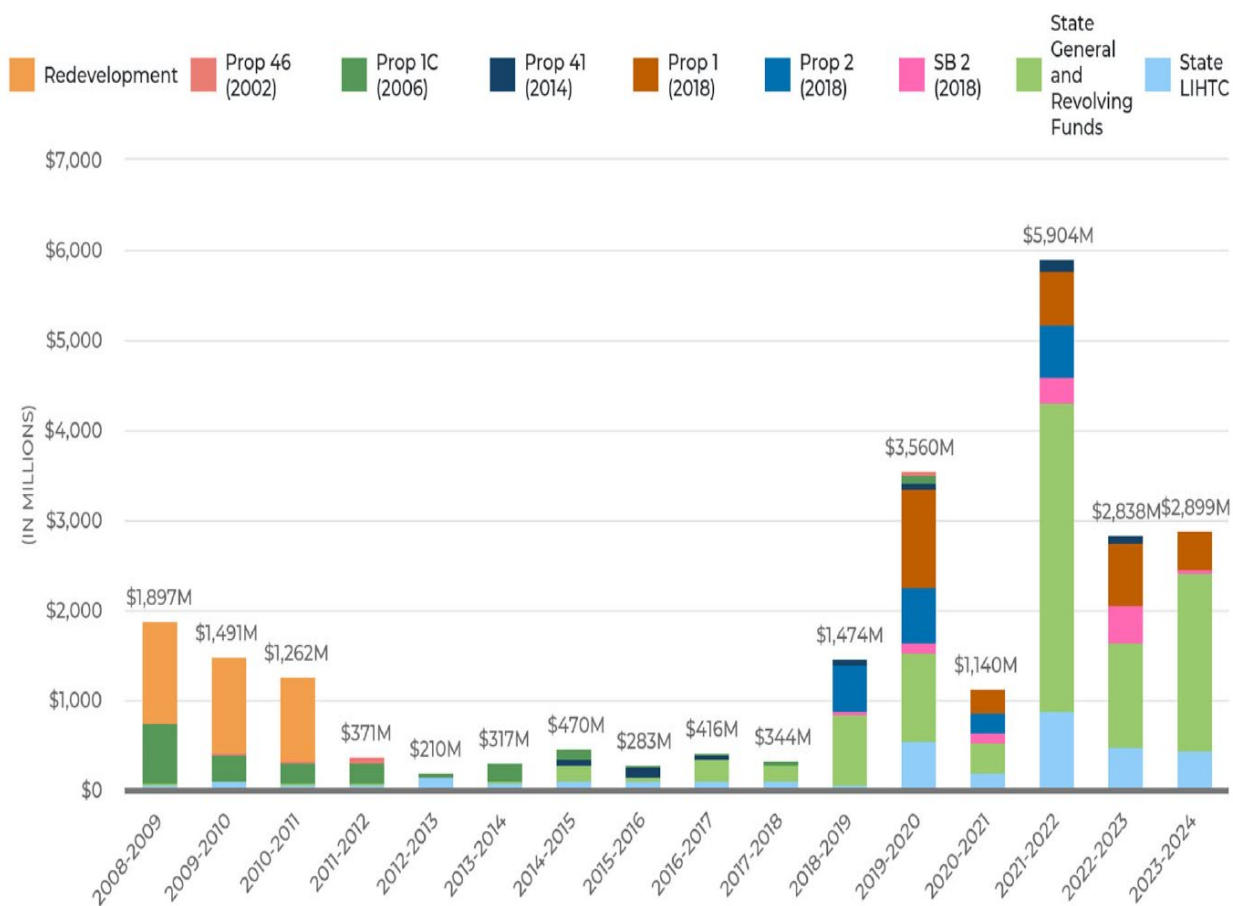
<sup>8</sup> Louie, Schuyler, L., Mondragon, J. & Wieland, J., “*Supply Constraints Do Not Explain House Price and Quantity Growth Across U.S. Cities*”, Federal Reserve Bank of San Francisco Working Paper 2025-06 (rev. Aug. 2025), available at <https://www.frbsf.org/wp-content/uploads/wp2025-06.pdf>.

<sup>9</sup> See California Housing Partnership, “*Methodology Documentation: Quantifying Housing Needs in California*” at 26-28 (May 2025), available at <https://chpc.net/wp-content/uploads/2025/04/Housing-Needs-Dashboard-Methodology-2025.pdf>. More specifically:

The funding levels shown are from several programs administered by four different state departments, multiple funding sources and former redevelopment agencies. From HCD, state general and revolving funds are allocated to the following programs: Multifamily Housing Program (MHP), Office of Migrant Services (OMS), Portfolio Restructuring Program (PRP, as well through Project Homekey. From SGC, state general funds are awarded through the Affordable Housing Sustainable Housing Communities (AHSC) Program. State funding was distributed through local redevelopment agencies until fiscal year 2010. From

## STATE FUNDING

| State housing investments from FY 2008-09 to FY 2023-24.



California Housing Partnership | [chpc.net/housingneeds](http://chpc.net/housingneeds)

To put these nominal dollar figures into context, the following charts show the percentage of planned general fund spending—and the percentage of planned overall spending—these total planned annual housing and homelessness spending figures equaled both before and after the State ended redevelopment:<sup>10</sup>

CTCAC, state funds are awarded through state Low-Income Housing Tax Credits. From BCSH, state general funds are disbursed through the Homeless Emergency Aid Program (HEAP) and Homeless Housing, Assistance, and Prevention Program (HHAP).

*Id.* at 26-27.

<sup>10</sup> The figures in these charts for general fund spending, and for total spending, used to calculate these percentages were taken from the Legislative Analyst’s Office reports on the spending plan each fiscal year as enacted, available at <https://lao.ca.gov/Publications?productid=15>.

## PRIOR TO END OF REDEVELOPMENT

FISCAL YEAR	SPEND v. GEN. FUND SPEND (%)	SPEND v. TOTAL SPEND (%)
2007-08 <sup>11</sup>	1.81	1.41
2008-09	1.83	1.31
2009-10	1.76	1.36
2010-11	1.46	1.07
<b>ALL</b>	<b>1.73</b>	<b>1.29</b>

## POST REDEVELOPMENT

FISCAL YEAR	SPEND v. GEN. FUND SPEND (%)	SPEND v. TOTAL SPEND (%)
2011-12	0.43	0.31
2012-13	0.23	0.16
2013-14	0.33	0.23
2014-15	0.44	0.31
2015-16	0.25	0.18
2016-17	0.34	0.25
2017-18	0.27	0.19
2018-19	1.06	0.75
2019-20	2.41	1.70
2020-21	0.85	0.58
2021-22	3.01	2.29
2022-23	1.21	0.94
2023-24	1.28	0.94
<b>ALL</b>	<b>1.03</b>	<b>0.80</b>
2011-12 to 2017-18	0.32	0.23
2018-19 to 2023-24	1.65	1.21

All of this data supports the following conclusions.

*First*, the period of highest State expenditures for affordable housing and homelessness, relative to all other State spending, was during the period prior to the State’s termination of the redevelopment program. However, even that level of spending was grossly inadequate relative to the housing and homelessness problems facing lower-income Californians, as both the

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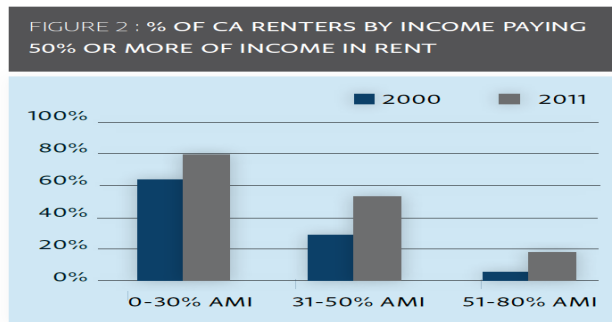
<sup>11</sup> This figure uses the State funding levels for FY 2007-08 reported in California Housing Partnership Corporation, “How California’s Housing Market is Failing to Meet the Needs of Low-Income Families”, at Table 3 (Feb. 2014), available at <https://chpc.net/wp-content/uploads/2015/11/9-CHPC HousingNeedReport020814FINAL.pdf>.

incidence of severe rent burden among lower-income renters<sup>12</sup>—and the number of homeless Californians<sup>13</sup>—already had grown to alarming levels during this period.

*Second*, despite the obvious need for more funding, State spending on affordable housing and homelessness relative to general fund and / or total State spending *dropped by some 80%* during the first seven years after the State’s elimination of the redevelopment program.

*Third*, beginning in FY 2018-19, State spending on affordable housing and homelessness increased significantly, and continued at higher levels through FY 2023-2024 (prior to claw backs). However, while the State’s affordable housing and homelessness expenditures during

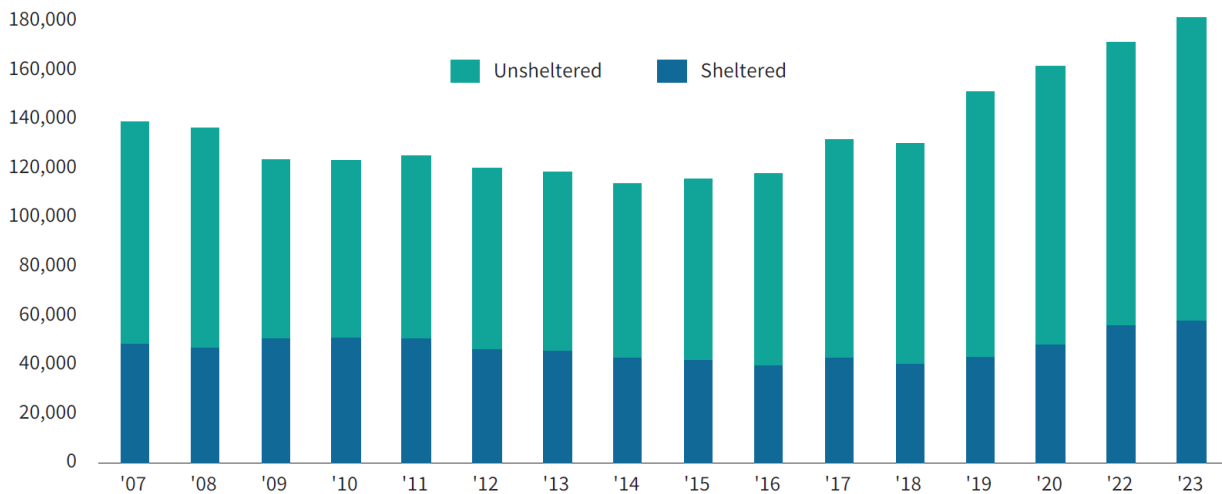
<sup>12</sup> See California Housing Partnership Corporation, “How California’s Housing Market is Failing to Meet the Needs of Low-Income Families”, at Figure 2 (Feb. 2014), available at <https://chpc.net/wp-content/uploads/2015/11/9-CHPCHousingNeedReport020814FINAL.pdf>.



Source: NLIHC special tabulations of 2000 CHAS data, and tabulations of 2011 one-year ACS PUMS data for California.

<sup>13</sup> See Carter, B. & Streeter, J., Stanford Institute for Policy Research, “Homelessness in California: Recent challenges and new horizons” at Figure 1 (June 2025), available at <https://siepr.stanford.edu/publications/policy-brief/homelessness-california-recent-challenges-and-new-horizons>:

**FIGURE 1: Homelessness in California, 2007-2023**



Source: HHUD Point-in-Time Counts  
Note: Data were not collected for 2021 due to the COVID-19 pandemic.

this period—on average—approached the same share relative to general fund and / or total State spending as had existed during the period prior to elimination of the redevelopment program, it did not quite reach that level on average, and it certainly did not do anything to make up for the massive State disinvestment during FY 2011-12 through 2017-18. The last two budget cycles—which are not covered in the California Housing Partnership report—have not improved the situation.<sup>14</sup>

### **3. Measures GS And ULA Were Passed By The Voters In Response To The Lack Of Adequate Funding To Address The Rent Burden Crisis Facing Lower-Income Californians And To Prevent Homelessness**

As the findings set forth in Measures GS and ULA make clear, each of these measures was drafted, placed on the ballot by the signatures of registered voters, and passed in express recognition of the need to raise more funds to address the rent-burden crisis faced by lower-income renters and to prevent homelessness.<sup>15</sup> However, the precise terms of the transfer tax imposed, and the uses for the funds raised, differ somewhat between the two Measures to reflect the views of the respective proponents as to what was best for each respective city.

Santa Monica Measure GS imposes a new 5% transfer tax on sales of real property for \$8 million or more.<sup>16</sup> The first \$10 million raised each year by this new transfer tax goes to the School District; the next up to \$40 million raised goes to the Homelessness Prevention and Affordable Housing Fund (“the Fund”); and any additional monies raised go 20% to the School District and 80% to the Fund. Each year, no more than 6% of the Fund can be spent on compliance, implementation and administration. With respect to the remaining monies in the Fund, (1) no less than 30% and no more than 50% shall be spent on either ongoing or emergency income assistance to rent-burdened lower-income households (with priority given to households with

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<sup>14</sup> See Davalos, M., “*Protecting Progress: State Housing and Homelessness Funding Must Continue*”, California Budget & Policy Center (Dec. 2024), available at [https://housingca.org/news-media/statements/affordable-housing-homelessness-and-housing-justice-organizations-from-across-california-respond-to-final-2024-2025-state-budget/](https://calbudgetcenter.org/resources/protecting-progress-state-housing-and-homelessness-funding-must-continue/#:~:text=State%20Affordable%20Housing%20Investments%20Remain,with%20the%200incoming%20Trump%20administration; Housing California, “<i>Affordable Housing, Homelessness, and Housing Justice Organizations from Across California Respond to Final 2024-2025 State Budget</i>” (Jun. 24, 2024, available at <a href=); All Home, “*Statement on the Final 2025-26 State Budget*” (Jun. 30, 2025), available at [https://www.allhomeca.org/2025/07/01/statement-on-the-2025-26-state-budget/#:~:text=\\$300%20million%20for%20the%20California,service%20delivery%20across%20the%20state.](https://www.allhomeca.org/2025/07/01/statement-on-the-2025-26-state-budget/#:~:text=$300%20million%20for%20the%20California,service%20delivery%20across%20the%20state.)

<sup>15</sup> See Measure GS at Section II: Findings And Purpose, available at <https://www.santamonica.gov/elections/2022-11-07/measures/measure-gs#Text%20of%20Measure>; Measure ULA at Section I, available at [https://cityclerk.lacity.org/election/Initiative\\_Ordinance\\_ULA.pdf](https://cityclerk.lacity.org/election/Initiative_Ordinance_ULA.pdf).

<sup>16</sup> See Measure GS at Section IV: Amendment Of Santa Monica Municipal Code, Chapter 6.96.

seniors, minor children, or persons facing physical or mental challenges), (2) no less than 50% shall be spent to acquire and rehabilitate properties as deed-restricted affordable housing—or to create new deed-restricted affordable housing—for lower and moderate income households, and (3) any monies remaining shall be (a) spent on programs and services designed to preserve the tenancies of or units serving lower and moderate income households, including but not limited to code compliance enforcement, legal services, or loans or grants for landlord earthquake retrofit or other low-income unit improvements, or (b) placed into a reserve fund.<sup>17</sup>

City of Los Angeles Measure ULA, on the other hand, imposes a new 4% transfer tax on sales of real property that are for \$5 million or more, but less than \$10 million, and a new 5.5% transfer tax on sales of real property for \$10 million or more (with all of these sales thresholds subsequently adjusted for inflation).<sup>18</sup> All monies raised by these new transfer taxes go to the House LA Fund. Each year, no more than 8% of the House LA Fund can be spent on compliance, implementation and administration. With respect to the remaining monies in the House LA Fund:

(1) 70% shall be used for the Affordable Housing Program, including—in oversimplified terms—(a) 22.5% to 25% to create deed-restricted affordable housing only in conjunction with other federal, state or local affordable housing financing sources (such as Low-Income Housing Tax Credits), (b) 22.5% to 25% to acquire and rehabilitate, adaptively reuse, lease as, or create deed-restricted affordable housing for lower income households, including using a variety of specified alternative models, (c) 10% for acquisition and rehabilitation of existing housing as deed-restricted affordable housing for lower income households, and (d) 10% to support single family and cooperative homeownership opportunities for lower income households, capacity building for Community Land Trusts and similar organizations, and operating assistance to projects serving extremely low income households and projects that will maintain non-profit ownership, community land trust stewardship, and/or shared-equity tenant ownership; and

(2) 30% shall be used for the Homelessness Prevention Program, including—in oversimplified terms—(a) 5% for emergency funding to tenant households at risk of becoming homeless, (b) 10% for income assistance to rent-burdened very low income households including seniors or persons with disabilities that are at risk of becoming homeless, (c) 10% to fund a right-to-counsel program for lower income households threatened with eviction, (d) 2% to fund tenant outreach, education and navigation services regarding tenants’ rights and the Homelessness Prevention Program services, and (e) 3% to fund non-profits and City services to monitor and enforce protections against tenant harassment and other tenant rights, and to inform tenants about and to support their exercise of such rights.<sup>19</sup>

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<sup>17</sup> See Measure GS at Section III: Addition Of Chapter 4.90 To The Santa Monica Municipal Code.

<sup>18</sup> See Measure ULA at Section 2.

<sup>19</sup> See Measure ULA at Section 4.

**B. Recent Papers Purporting To Analyze The Impacts Of Measure ULA Fail To Make A Convincing Policy Case For The State To Override The Voter-Approved Terms Of Measures GS And ULA In The Manner Suggested**

Principles of democracy, good government, and home rule all dictate that the State should not act without very strong justification to override the terms of citizens' initiatives passed by the voters in charter cities. Because Assemblymember Wicks sought to support AB 698 by reference to two recent papers that purport to analyze the impact of Measure ULA on real estate transactions (and that recommend that the State impose certain changes to Measure ULA and other local transfer tax measures), I presume she likewise is relying on these papers to support any potential trailer bill. For the reasons explained below, neither of those papers make a convincing policy case for the State to override the voter-approved terms of Measure ULA—let alone of Measure GS—in the manner the papers suggest, *even assuming their analyses of the purported impact of ULA are fully accurate and predictive of the future* (an issue which I understand is the subject of a vigorous ongoing debate among academics).

**1. Summary Of The Recent Papers Cited In Support Of AB 698**

**(a) *The Paper By Jason Ward (RAND) And Shane Phillips (UCLA)***

The first paper previously relied upon by Assemblymember Wicks is by Jason Ward and Shane Phillips, and is entitled “Taxing Tomorrow: Measure ULA’s Impact on Multifamily Housing Production and Potential Reforms”. This paper proceeds as follows.

*First*, the authors conduct a statistical analysis of the first 20 months of Measure ULA’s operation which they assert conservatively demonstrates that Measure ULA deterred pre-development land transactions that otherwise would have led to the production by private developers on an annualized basis of an additional 1910 multi-family housing units per year, included 168 deed-restricted affordable housing units.

*Second*, the authors analyze the revenues generated during the first 21 months of Measure ULA’s operation and conclude that, on an annualized basis, the revenues raised by the sale of multi-family residential properties that were no more than 15 years old equaled \$29 million per year (8% of the total raised by Measure ULA).

*Third*, the authors attempt to calculate how many additional affordable housing units could be constructed each year if all of this \$29 million in additional Measure ULA revenues were directed to that purpose. The authors discuss the outcome of this calculation under various assumptions regarding the availability of additional governmental and private sources of financing, and conclude that the most reasonable estimate in their view is 72 deed-restricted affordable housing units using the assumption that there is no other government subsidy available.

*Fourth*, the authors recommend exempting sales of multi-family housing from Measure ULA for 15 years following construction. The authors assert this step is justified because their analysis shows that Measure ULA results in the construction of fewer deed-restricted affordable housing units than would be created in the absence of Measure ULA, and also fewer market rate units

(whose construction the authors suggest also would improve affordability through supply effects and migration chains, as purportedly demonstrated in various other studies). The authors further assert that the exemption “would come at little cost”, lowering annual revenues by 8% or less.

*Fifth*, the authors also recommend exempting sales of commercial and industrial properties from Measure ULA for 15 years following construction. The authors assert that this exemption could result in an additional smaller loss in ULA revenue, given their analysis that just 5% of Measure ULA revenues during its first 20 months of operation came from the sales of commercial and industrial properties that were no more than 15 years old. The authors cite a companion paper by Manville and Smith (the second paper relied on by Assemblymember Wicks, summarized below) regarding the purported property tax benefits of this recommended exemption, and further state without citation or analysis that this exemption could potentially lead to meaningful growth in local employment and economic activity.

*Sixth*, while acknowledging that they did not study the impact of the transfer taxes in Santa Monica or San Francisco, they state that “it is plausible that they are having similar effects”, and therefore suggest that their proposed exemptions apply to these additional cities (indeed, to all jurisdictions in the State).

**(b) *The Paper By Michael Manville (UCLA) And Mott Smith (USC)***

The second paper previously relied upon by Assemblymember Wicks is by Michael Manville and Mott Smith, and is entitled “The Unintended Consequences of Measure ULA”. This paper proceeds as follows.

*First*, the authors conduct a statistical analysis of the first 21 months of Measure ULA’s operation which they assert demonstrates that Measure ULA reduced by 50%-70% the incidence of sales of non-single family home properties for \$5 million or more, and reduced by 49%-55% the incidence of sales of any property type for \$5 million or more.

*Second*, the authors seek to illustrate (but not to precisely calculate) the magnitude of the foregone property taxes that result when high-end sales purportedly are deterred by Measure ULA and the taxable values of those properties therefore are not reassessed due to Proposition 13. The authors calculate that from 2021 to 2023, sales of properties for \$5 million or more resulted (on average) in an annual increase in overall assessed taxable value of \$11.3 billion in the City of Los Angeles. Therefore, *if* half of that increase did not occur due to sales being deterred by Measure ULA, it would result in the loss each year of an additional \$25 million in property taxes for City schools and services (as calculated by the authors).

*Third*, the authors suggest adoption of one or more of a series of potential changes to Measure ULA:

1. Exempt all properties from Measure ULA, except single-family homes. The authors assert that this would make the tax a true “mansion tax” (which they assert without citation is “the tax many voters thought they were getting”), and it would avoid what the authors assert—without citation—are the “adverse large implications for new multifamily housing or local economic development” of applying Measure ULA to sales of other types of properties.

2. Exempt all properties from Measure ULA that had been reassessed relatively recently (for example, in the last 20 years). The authors again assert “this exemption would move ULA much closer to its stated vision (a tax on mansions and passive property appreciation),” and the authors further assert (without citation or analysis) that it “would reduce [Measure ULA’s] dedicated revenue only modestly.”<sup>20</sup>

3. Change Measure ULA’s transfer tax rates to marginal rates (i.e., the 4% rate would only apply to the portion of the sale price between \$5 million and below \$10 million, and the 5.5% rate would only apply to the portion of the sale price equal to or above \$10 million). The authors suggest that this could be done on its own, or together with either of the first two proposed reforms (or with the fourth suggested reform below). The authors assert (without citation or analysis) that “this reform, compared to the two reforms above, would be more likely to bring ULA’s revenue down.”

4. Lower the threshold for taxation, and tax it at a lower rate (e.g., tax sales above \$2 million at 1%, or 0.8%). The authors assert that “a lower rate will be less likely to deter transactions” and that—by adding this new tax on a broader base of properties—“the added revenue could compensate for any revenue lost as a result of the other reforms we suggest.”

**2. The Recent Papers Do Not Make A Convincing Policy Case For The State To Override The Voter-Approved Terms Of Measure ULA In The Manner They Suggest, Let Alone To Override Measure GS**

I am an official proponent of Measure GS, and am involved in its implementation through my current role as Chair of the Resident Oversight Committee created by that Measure. I therefore am well positioned to speak to Measure GS. Nevertheless, I feel it is necessary that I first explain why I believe the recent papers fail to make a convincing policy case with respect to Measure ULA, given that those papers only purport to analyze Measure ULA. In doing so I am not speaking on behalf of myself and not on behalf of the proponents or implementers of Measure ULA.

**(a) *Neither Paper Makes A Convincing Policy Case For The State To Override City Of Los Angeles Measure ULA***

For at least the following reasons, I believe that neither the Ward & Phillips paper, nor the Manville & Smith paper, have made a convincing policy case for the State to override the voter-approved terms of Measure ULA in the manner they suggest (again, even assuming that their analyses are fully accurate and predictive of the future, an issue which I understand is currently under vigorous debate among academics).

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<sup>20</sup> This proposal is *not* the same as the proposal recommended in the Ward & Phillips paper. Ward & Phillips recommended exempting sales of multi-family and commercial properties for the first 15 years after their construction, no matter when any prior sale occurred. Manville & Smith are recommending exempting any property that had been reassessed in the prior (for example) 20 years, no matter how long ago the property was constructed.

1. **Neither paper presents a meaningful cost-benefit analysis of their proposed changes to Measure ULA.** The Manville & Smith paper does not even attempt to provide a cost-benefit analysis for its proposed changes to Measure ULA. Nor does the Ward & Phillips paper attempt to provide a cost-benefit analysis of its proposal to exempt sales of commercial and industrial properties for the first 15 years after construction (although it at least attempts to quantify the estimated impact of the proposed change on ULA revenue as a 5% reduction).

By contrast, the Ward & Phillips paper does purport to provide a rough cost-benefit analysis in support of its proposal to exempt sales of multi-family housing for the first 15 years after construction. In particular, the Ward & Phillips paper estimates that application of Measure ULA to multi-family housing without the proposed exemption (1) raised transfer tax revenues in an amount (i.e., \$29 million, or some 8% of total Measure ULA revenues) that is sufficient to produce only some 72 deed-restricted affordable housing units, but (2) resulted in private developers failing to produce (without public subsidy) 1,910 multi-family housing units per year, including 168 deed-restricted affordable housing units required by inclusionary housing laws. But this purported cost-benefit analysis is grossly insufficient as a basis for making a decision to override Measure ULA’s provisions for at least the following reasons.

*First*, the Ward & Phillips analysis—by focusing exclusively on the number of affordable housing units constructed under each scenario—completely and inappropriately ignores both the homelessness prevention and tenant protection goals of Measure ULA, and the benefits generated by the various *other* programs that are designed to directly further those goals and that are funded by Measure ULA using 27.6% of the revenues it raises.<sup>21</sup>

In particular, per an online dashboard, Measure ULA’s Emergency Renters Assistance Program (which is to receive 4.6% of revenues raised<sup>22</sup>) to date has provided \$30.6 million to cover unpaid rent for 4,321 households (virtually all of whom are extremely low income) who were at risk of homelessness due to a one-time economic shock, for an average grant amount of \$7,091 per household.<sup>23</sup> Per another online dashboard, Measure ULA’s Income Support Program

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<sup>21</sup> Up to 8% of the revenue raised by Measure ULA can be used for compliance, implementation and administration. See L.A. Admin. Code § 22.618.3(b). Of the remaining 92% of the revenue raised, 30% is to go to certain specified programs within its Homelessness Prevention Program. See L.A. Admin. Code § 22.618.3(d)(2). 30% of 92% is 27.6%.

Measure ULA also provides some flexibility for reallocating funds among its programs in particular years, and over time. See L.A. Admin. Code § 22.618.5.

<sup>22</sup> See L.A. Admin. Code § 22.618.3(d)(2)(i).a (5% of the 92% of revenues raised is for short-term emergency assistance as described therein).

<sup>23</sup> See “Paid-Out Applications” tab on Los Angeles Housing Department’s “ULA Emergency Renters Assistance Program (ERAP)” dashboard, available at <https://housing.lacity.gov/ula-emergency-renters-assistance-program-erap>.

(which is to receive 9.2% of revenues raised<sup>24</sup>) to date has provided grants of \$20,000 to 494 rent-burdened households with either a senior or a disabled person as a member and that are at risk of homelessness (75% of whom are extremely low income households, and 25% of whom are very low income households).<sup>25</sup>

The Los Angeles Housing Department also reports that Measure ULA funded “eviction protection legal services” for nearly 16,000 households during its first two years of operation.<sup>26</sup> Measure ULA sets aside 9.2% of revenues for a right-to-counsel program.<sup>27</sup> As this set aside equaled \$29.25 million based on the City Council approved spending plan for the first two years of ULA’s operation,<sup>28</sup> it implies (assuming all of those funds were spent) that it cost on average approximately \$1,830 per household to provide these “eviction protection legal services”. Going forward, Measure ULA is slated to fund the right-to-counsel program for lower income tenants facing an eviction action (or facing a proceeding to terminate a rental subsidy) that was adopted by the City Council earlier this year.<sup>29</sup> A study of the potential costs and benefits of such a program that was performed in 2019 (which the Legislature cited in its findings in 2021 when it passed AB 1487<sup>30</sup>, and which also was cited in the original 2023 motion that ultimately led to the

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<sup>24</sup> See L.A. Admin. Code § 22.618.3(d)(2)(i).b (10% of the 92% of revenues raised is for income support for rent-burdened at-risk seniors and persons with disabilities as described therein).

<sup>25</sup> See Los Angeles Housing Department’s “ULA Interim Income Support Program” dashboard, available at <https://housing.lacity.gov/ula-income-support>.

<sup>26</sup> See Los Angeles Housing Department, “*Celebrating Two Years of ULA: A Milestone in Affordable Housing and Tenant Resources*”, available at <https://housing.lacity.gov/articles/celebrating-two-years-of-ula-a-milestone-in-affordable-housing-and-tenant-resources>.

<sup>27</sup> See L.A. Admin. Code § 22.618.3(d)(2)(ii).a (10% of the 92% of revenues raised is for a right-to-counsel program).

<sup>28</sup> See Los Angeles Housing Department, “*FY 2025-26 ULA Expenditure Plan*” at slides 3-4 & 7 (indicating spending plan for first two fiscal years equaled \$317.93 million in total, and that “Eviction Defense & Prevention” program received in the aggregate over those two years its prescribed in allocation under Measure ULA), available at [https://cityclerk.lacity.org/onlinedocs/2023/23-0038-S7\\_MISC\\_6-25-25.pdf](https://cityclerk.lacity.org/onlinedocs/2023/23-0038-S7_MISC_6-25-25.pdf).

<sup>29</sup> See L.A. City Ordinance 188681, available at [https://cityclerk.lacity.org/onlinedocs/2018/18-0610-S3\\_ord\\_188681\\_08-20-25.pdf](https://cityclerk.lacity.org/onlinedocs/2018/18-0610-S3_ord_188681_08-20-25.pdf); District 4 Press Release “*Council Establishes Right To Counsel Program For Tenants In The City Of Los Angeles*” (April 1, 2025), available at <https://cd4.lacity.gov/press-releases/council-adopts-right-to-counsel-ordinance/>.

<sup>30</sup> 2021 AB 1487 at Finding (g)(1), available at [Bill Text - AB-1487 Legal Services Trust Fund Commission: Homelessness Prevention Fund: grants: eviction or displacement](#). AB 1487—which would have provided State funding for right to counsel programs for tenants facing eviction—was introduced by Assembly Members Gabriel, Chiu, and Santiago, coauthored by Assembly Members Kalra, Lee, and Wicks, and coauthored by Senators Allen, Durazo, Skinner, and Wiener. AB 1487 passed 29 to 9 in the Senate and 59 to 17 in the Assembly. Governor Newsom—although stating “I agree with the intent of this bill”—vetoed it due to the lack of

adoption of the L.A. right to counsel ordinance<sup>31</sup>) estimated that providing full scope legal representation would cost \$1,734 per household<sup>32</sup> (or \$2,185 per household in inflation-adjusted dollars<sup>33</sup>).

The Los Angeles Housing Department further reports that Measure ULA funded outreach and enforcement activities that have led during its first two year of operations to over 16,000 households filing Tenant Anti-Harassment Ordinance complaints with the City.<sup>34</sup> Measure ULA sets aside 2.76% of revenues for a program to protect against tenant harassment.<sup>35</sup> As this set aside equaled \$8.775 million based on the spending plan for the first two years of Measure ULA's operation,<sup>36</sup> it implies (assuming all of those funds were spent) that it cost on average approximately \$550 to empower a household to file a tenant harassment complaint with the City.

Finally, the Los Angeles Housing Department reports that Measure ULA funded tenant outreach and education efforts<sup>37</sup> (a program that is to receive 1.84% of revenue raised<sup>38</sup>).

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accompanying funding. See 10/8/21 Veto Message, available at <https://www.gov.ca.gov/wp-content/uploads/2021/10/AB-1487-1082021.pdf>.

<sup>31</sup> See 2/14/23 Motion by L.A. City Councilmembers Raman, Blumenfield, Soto-Martinez, Hutt, Hernandez & Yaroslavsky, available at [https://cityclerk.lacity.org/onlinedocs/2018/18-0610-s3\\_misc\\_02-14-23.pdf](https://cityclerk.lacity.org/onlinedocs/2018/18-0610-s3_misc_02-14-23.pdf).

<sup>32</sup> See Stout Risius Ross, LLC, “*Cost-Benefit Analysis of Providing a Right to Counsel to Tenants in Eviction Proceedings*” at Ex. B, line 3 & fn. [b] (Dec. 19, 2019), available at [https://info.stout.com/hubfs/PDF/Eviction-Reports-Articles-Cities-States/Los%20Angeles%20Eviction%20RTC%20Report\\_12-10-19.pdf](https://info.stout.com/hubfs/PDF/Eviction-Reports-Articles-Cities-States/Los%20Angeles%20Eviction%20RTC%20Report_12-10-19.pdf).

<sup>33</sup> See U.S. Bureau of Labor Statistics’ CPI Inflation Calculator, available at [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm).

<sup>34</sup> See Los Angeles Housing Department, “*Celebrating Two Years of ULA: A Milestone in Affordable Housing and Tenant Resources*”, available at <https://housing.lacity.gov/articles/celebrating-two-years-of-ula-a-milestone-in-affordable-housing-and-tenant-resources>.

<sup>35</sup> See L.A. Admin. Code § 22.618.3(d)(2)(ii).c (3% of the 92% of revenues raised is for a protection against tenant harassment program).

<sup>36</sup> See Los Angeles Housing Department, “*FY 2025-26 ULA Expenditure Plan*” at slides 3-4 & 7 (indicating spending plan for first two fiscal years equaled \$317.93 million in total, and that “Protections from Tenant Harassment” program received in the aggregate over those two years its prescribed in allocation under Measure ULA), available at [https://cityclerk.lacity.org/onlinedocs/2023/23-0038-S7\\_MISC\\_6-25-25.pdf](https://cityclerk.lacity.org/onlinedocs/2023/23-0038-S7_MISC_6-25-25.pdf).

<sup>37</sup> See Los Angeles Housing Department, “*Celebrating Two Years of ULA: A Milestone in Affordable Housing and Tenant Resources*”, available at <https://housing.lacity.gov/articles/celebrating-two-years-of-ula-a-milestone-in-affordable-housing-and-tenant-resources>.

<sup>38</sup> See L.A. Admin. Code § 22.618.3(d)(2)(ii).b (2% of the 92% of revenues raised is for a tenant outreach and protection program).

In short, the Ward & Phillips paper assertion that the benefit of the \$29 million that Measure ULA raised on an annualized basis during its first 20 months of operation is properly characterized as the creation of 72 deed-restricted affordable housing units is simply wrong. Rather, using the data presented above regarding Measure ULA’s homelessness prevention and tenants’ rights programs, and accepting (for the moment only) the paper’s methodology for calculating the number of new deed-restricted affordable housing units that would be generated by the portion of Measure ULA funds not devoted to other programs, a more accurate (albeit still rough) estimate of the benefit of that \$29 million per year in additional Measure ULA revenue is (1) the creation of 50 deed-restricted affordable housing units (70% of the paper’s estimate that using all \$29 million would create 72 such units), (2) the provision of emergency rental assistance to 188 extremely low-income households at risk of homelessness, (3) the provision of a \$20,000 lump sum payment to 133 households (75% extremely low income and 25% very low income) that include a senior or a person with a disability and that is at risk of homelessness, (4) the provision of full scope legal representation to 1,221 lower-income households facing an eviction action, (5) the empowerment of 1,455 households to file tenant harassment complaints with the City, and (6) public education campaigns that would reach numerous other households.

It also is worth noting (particularly given the discussion of lost property taxes in the papers relied upon by Assemblymember Wicks) that provision of the foregoing financial assistance and services—while quite literally a potential matter of life and death for the members of the recipient households<sup>39</sup>—is a matter of fiscal importance to the City, to the Los Angeles Unified School District, and to the County. In particular, the 2019 study noted above (which the Legislature cited in its findings in 2021’s AB 1487) evaluated the potential costs and benefits of adopting a right to counsel program in Los Angeles for lower income households that would consist of (1) pre-litigation public education campaigns, pre-litigation legal advice and limited scope legal representations, and pre-litigation rental assistance, and (2) full scope legal representation in eviction proceedings. The study concluded that that such a program would cause 25,159 lower income households in the City each year to avoid the high likelihood of a disruptive displacement from their homes, and that—as a result—(1) the City would save \$120.25 million in one-time emergency shelter and housing program costs each year (\$151.52 million in inflation adjusted dollars), (2) the Los Angeles Unified School District would avoid the one-time loss of \$6.04 million in State funding each year (\$7.61 million in inflation adjusted dollars), and (3) the County of Los Angeles would save \$23.53 million in one-time medical costs and foster care payments each year (\$29.65 million in inflation adjusted dollars). Therefore, assuming that the same average relationship between households and dollars saved applies to the households receiving financial assistance and full scope legal representation funded by Measure ULA, and using the rough estimate of the cost per household of providing such assistance set out above, the 2019 study implies that the \$29 million in annual ULA revenues generated by sales of multi-family housing that is less than 15 years old would (1) save the City of Los Angeles \$9.29

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<sup>39</sup> See Graetz et al., “*The impacts of rent burden and eviction on mortality in the United States, 2000-2019*,” 340 *Social Science & Medicine* 116398 at 6 (2024) (“In a study matching millions of housing court records to decennial census, survey, and administrative data, we found that rent burden and eviction events were significantly associated with higher mortality risk.”), available at <https://www.sciencedirect.com/science/article/pii/S0277953623007554?via%3Dihub>.

million in one-time emergency shelter and housing program costs each year, (2) prevent the Los Angeles Unified School District from losing \$0.47 million in one-time State funding each year, and (3) save the County of Los Angeles \$1.82 million in one-time medical costs and foster care payments—a total fiscal benefit of over \$11.5 million each year.

*Second*, the methodology used in the Ward & Phillips analysis *underestimates* the number of deed-restricted affordable housing units that would be placed into or remain in service due to expenditure of the portion of the \$29 million in additional revenue that Measure ULA sets aside for those purposes.

In particular, the Ward & Phillips paper bases its calculation on the express assumption that no public subsidy other than Measure ULA funding would be available to create these units. The paper purports to justify this assumption by predicting that it is “extremely unlikely” that there will be any increased State or federal funding for affordable housing creation.<sup>40</sup> But even if Ward & Phillips methodology otherwise made sense (a matter I understand is currently under vigorous debate among academics), the underlying prediction that Ward & Phillips relied upon for their methodology already has been proven to be incorrect. Just a few months after the Ward & Phillips paper was published, the federal government *did* significantly expand funding for affordable housing creation by (1) increasing by 12% on an ongoing basis the total of 9% Low Income Housing Tax Credits available, and (2) cutting in half the portion of a project’s cost that must be financed by tax free bonds in order to qualify for the otherwise unlimited 4% Low Income Housing Tax Credits (which could effectively double the number of projects able to receive those tax credits).<sup>41</sup> Thus, Measure ULA funds likely will be critical to providing the gap financing needed by projects seeking to take advantage of this new supply of Low Income Housing Tax Credits,<sup>42</sup> thereby significantly leveraging the 20.7% to 23% of the revenues generated that Measure ULA expressly requires to be used for this purpose.<sup>43</sup>

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<sup>40</sup> See Ward & Phillips at p. 37 (“Just because Los Angeles raises \$29 million more for affordable housing — much less \$500 million — does not mean state or federal funders will increase their support. In fact, given the state’s budget deficit and the federal political climate, this appears extremely unlikely. [¶] If we assume that state and federal partners will not increase their affordable housing spending simply because Los Angeles adopted a higher transfer tax, then the public cost of replacing the 168 affordable units must be borne entirely by additional funds raised by Measure ULA. Up to 40% of project costs may be covered by a private loan, but the remaining 60% — \$403,200 — would have to come from ULA revenue. Under this more realistic scenario, \$29 million in ULA funding produces 72 affordable units . . .”).

<sup>41</sup> See Christopher, B. & Kendall, M., “*Hidden in Trump’s spending package: A surprise boost to California’s affordable housing*”, CalMatters (Aug. 12, 2025), available at <https://calmatters.org/housing/2025/08/affordable-housing-trump-ca/>.

<sup>42</sup> Indeed, the CalMatters article cited in the immediately prior footnote expressly states that the general scarcity of gap funding in California could significantly hamper the pace of affordable housing production using these increased Low Income Housing Tax Credits.

<sup>43</sup> See L.A. Admin. Code § 22.618.3(d)(1)(ii).a (22.5% to 25% of the 92% of revenues raised is for multi-family deed-restricted affordable housing projects that also are accessing other federal, State and/or local funding sources).

Moreover, the Ward & Phillips paper ignores that another 20.7% to 23% of the revenues generated are set aside for “Measure ULA’s Alternative Models for Permanent Affordable Housing Program (Alternative Models) [which] seeks to provide innovative financing and tenant-driven governance in permanent (i.e., not interim) affordable housing developments, and allows for a range of uses of funds,” in order to “seed a social housing model that will become a major component of the City’s future housing stock.”<sup>44</sup>

As to the portion of this program dedicated to new construction,<sup>45</sup> both Measure ULA itself, and current program guidelines, permit up to 20% of the units to be *market rate units* in order to render it financially feasible to create the remaining deed-restricted affordable housing units. This could dramatically lower the amount of public funding required to render projects financially feasible. Moreover, the current program guidelines give preference to projects on public land, or on land donated—or conveyed for less than market value—by faith-based organizations, which again could materially lower the amount of Measure ULA funds that will be required to create each new unit. Furthermore, the current program guidelines give preference to projects that receive funding from an additional public or philanthropic source—that is, projects where Measure ULA is not the only funding source other than private loans.<sup>46</sup>

As to the portion of the funding for the Alternative Models program that is to go to affordable housing preservation, current program guidelines provide that the monies are to be used to recapitalize, acquire and/or rehabilitate existing deed-restricted affordable housing projects that either (1) are at risk of financial insolvency, or (2) have affordability covenants that will expire in less than 10 years.<sup>47</sup> Keeping an existing unit of affordable housing in service is equally important to serving the needs of lower-income Californians as is creating a new affordable housing unit, and it generally costs less to do so.<sup>48</sup> Moreover, up to 20% of these units likewise

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<sup>44</sup> Los Angeles Housing Department, “*United to House Los Angeles Program Guidelines*” at p. 25, 26 (approved by City Council Dec. 10, 2024) (“ULA Program Guidelines”), available at <https://static1.squarespace.com/static/65b2ac892ffc384e4b632aab/t/6827878a41133326f7ac23c9/1747421074097/ULA-Guidelines.pdf>; see L.A. Admin. Code § 22.618.3(d)(1)(ii).b (22.5% to 25% of the 92% of revenues raised is for alternative models program).

<sup>45</sup> Under current program guidelines, the new construction portion of the Alternative Models program must receive at least 60% of the funding in FY 2024-2025, at least 70% in FY 2025-2026, and at least 85% in FY 2026-2027. See ULA Program Guidelines at p. 27.

<sup>46</sup> See ULA Program Guidelines at pp. 40, 55-56.

<sup>47</sup> See ULA Program Guidelines at p. 58.

<sup>48</sup> See Los Angeles Housing Department, “*Preserving and Monitoring At-Risk Housing*”, available at <https://housing.lacity.gov/rental-property-owners/preserving-and-monitoring-at-risk-housing>; California Housing Partnership, “*Affordable Homes At Risk*” at 1-3 (Apr. 2024), available at [https://chpc.net/wp-content/uploads/2024/04/Subsidized-At-Risk-Report\\_April-2024.pdf](https://chpc.net/wp-content/uploads/2024/04/Subsidized-At-Risk-Report_April-2024.pdf); Galperin, R., “*The Problems And Progress of Prop. HHH*” at pp. 28-30 (Feb. 23, 2022), available at [https://firebasestorage.googleapis.com/v0/b/lacontroller-2b7de.appspot.com/o/audits%2F2022%2F2.22.23\\_The-Problems-and-Progress-of-Prop-HHH\\_Final.pdf?alt=media&token=8ebb4887-6208-4166-aa91-7e2c305d3c87](https://firebasestorage.googleapis.com/v0/b/lacontroller-2b7de.appspot.com/o/audits%2F2022%2F2.22.23_The-Problems-and-Progress-of-Prop-HHH_Final.pdf?alt=media&token=8ebb4887-6208-4166-aa91-7e2c305d3c87); Enterprise,

may be *market rate units* in order to render it financially feasible to acquire and rehabilitate the remaining deed-restricted affordable housing units.<sup>49</sup>

The Ward & Phillips paper similarly ignores that another 9.2% of the revenue raised by Measure ULA is set aside for preservation of affordable housing.<sup>50</sup> Under current program guidelines, a portion of the funds again can be used to acquire and rehabilitate housing projects whose affordability covenants are expiring in the next 10 years. A larger portion must be used to acquire naturally occurring affordable housing whose existing tenants are at risk of displacement.<sup>51</sup> As already noted, acquisition and rehabilitation is generally less expensive than new construction.

Finally, the Ward & Phillips paper ignores that at least 4.6%, and up to 8.3% of Measure ULA revenue is to be used to provide operating assistance to affordable housing projects.<sup>52</sup> The purpose of the program is to provide temporary assistance to projects that are in financial trouble while they move to a permanent solution.<sup>53</sup> This will keep affordable housing units in service at a much lower cost than creating new replacement units.

In sum, by incorrectly predicting that federal resources for affordable housing production would not increase, and by ignoring the specific details of Measure ULA's affordable housing creation and preservation programs that lower the amount of funding required per unit, the Ward & Phillips methodology underestimates the number of deed-restricted affordable housing units that would be placed into or remain in service due to expenditure of the portion of the \$29 million in additional annual revenue that Measure ULA sets aside for those purposes.

*Third*, the Ward & Phillips analysis ignores the fact that the affordable housing units created or preserved under Measure ULA's programs likely will better serve the Measure's homelessness prevention, tenant protection and related goals than will the inclusionary affordable housing units that the paper asserts will not be created due to application of the transfer tax to multi-family housing projects during the first 15 years after construction. There are several reasons for this conclusion.

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*“Preserving Affordability, Preventing Displacement: Acquisition-Rehabilitation of Unsubsidized Affordable Housing In The Bay Area”* at p. 2 (2020), available at <https://www.enterprisecommunity.org/sites/default/files/2021-07/preserving-affordability-preventing-displacement.pdf>.

<sup>49</sup> See ULA Program Guidelines at p. 59.

<sup>50</sup> See L.A. Admin. Code § 22.618.3(d)(1)(ii).c (10% of the 92% of revenues raised is for acquisition and rehabilitation program).

<sup>51</sup> See ULA Program Guidelines at pp. 78-79, 91, 108.

<sup>52</sup> See L.A. Admin. Code § 22.618.3(d)(1)(ii).c (10% of the 92% of revenues raised is for various programs, with at least 5% of the 10% for operating assistance, and at least 1% of the 10% for another program).

<sup>53</sup> See ULA Program Guidelines at pp. 153, 164-68.

As an initial matter, inclusionary units in market rate housing projects will never be permanent supportive housing units—a type of housing that is one important part of addressing the homelessness crisis.<sup>54</sup> By contrast, all of the Measure ULA housing programs discussed above can include permanent supportive housing (as expressly noted in the program guidelines).<sup>55</sup> Indeed, of the 785 affordable units in projects supported by the first distribution of Measure ULA gap financing awards, 331 are supportive housing units for people experiencing homelessness.<sup>56</sup>

In addition, all projects assisted by Measure ULA’s Alternative Models program and by its acquisition and rehabilitation program require the facilitation of a meaningful role for the tenants in the governance of the projects (including, where appropriate, through tenant ownership). Measure ULA even includes funds for helping tenants develop the capacity to undertake such roles.<sup>57</sup> This presents a stark contrast with the powerlessness of lower income tenants living in inclusionary units in a market rate project.

Furthermore, to the extent that current State density bonus law is the source of the inclusionary unit requirements in the market rate projects, those units will not be for extremely low income households.<sup>58</sup> By contrast, (1) all of the Measure ULA housing programs discussed above can finance extremely low income units, (2) projects obtaining funding under the Alternative Models program must include at least 20% extremely low income units, and (3) projects serving extremely low income households have priority under the operating assistance program.<sup>59</sup> Extremely low income units are another important part of addressing the homelessness crisis.<sup>60</sup>

In short, the Ward & Phillips analysis ignores that there are important differences for purposes of homelessness prevention and tenant protection between the affordable housing units created under Measure ULA and the inclusionary affordable units in market rate projects.

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<sup>54</sup> See UCSF, “*Toward a New Understanding: The California Statewide Study of People Experiencing Homelessness*” at p. 86 (June 2023), available at [https://homelessness.ucsf.edu/sites/default/files/2023-06/CASPEH\\_Report\\_62023.pdf](https://homelessness.ucsf.edu/sites/default/files/2023-06/CASPEH_Report_62023.pdf).

<sup>55</sup> See ULA Program Guidelines at pp. 26-28, 41, 59, 92, 109, 131, 152-53.

<sup>56</sup> See Drier, P., Ling, J., Cummings, S., Freer, R., Pastor, M., Roy, A. & Tilly, C., “*Measuring LA’s Mansion Tax: An Evaluation Of Measure ULA’s First Year*” at p. 21 (Apr. 2024), available at [https://static1.squarespace.com/static/65b2ac892ffc384e4b632aab/t/6794763ab08852793bb2dbe4/1737782859329/Measuring-LAs-Mansion-Tax-April-2024\\_1.pdf](https://static1.squarespace.com/static/65b2ac892ffc384e4b632aab/t/6794763ab08852793bb2dbe4/1737782859329/Measuring-LAs-Mansion-Tax-April-2024_1.pdf).

<sup>57</sup> See ULA Program Guidelines at pp. 51-52, 70-71, 102-04, 119-21, 142-44.

<sup>58</sup> See Government Code §§ 65915(f), (v).

<sup>59</sup> See ULA Program Guidelines at pp. 40, 59, 160, 167.

<sup>60</sup> See UCSF, “*Toward a New Understanding: The California Statewide Study of People Experiencing Homelessness*” at pp. 83-84 (June 2023), available at [https://homelessness.ucsf.edu/sites/default/files/2023-06/CASPEH\\_Report\\_62023.pdf](https://homelessness.ucsf.edu/sites/default/files/2023-06/CASPEH_Report_62023.pdf).

*Fourth*, the Ward & Phillips paper provides no supporting analysis for its oblique suggestion that the market-rate units that purportedly will not be built due to Measure ULA also would themselves have provided *meaningful* assistance to efforts to the lower-income rent-burden and homelessness crises (the crises Measure ULA seeks to address).

In particular, the Ward & Phillips paper states in its concluding “Potential Reforms” section:

Additionally, and very importantly, market-rate multifamily housing has supply effects that improve affordability. Recent quasi-experimental studies from Asquith, Mast, and Reed (2023) and Pennington (2021) estimating causal effects of new, market rate multifamily construction on area rents find that a new, roughly 150-unit, market rate apartment building causes rents within a roughly 1/8th mile radius to fall by 4–6%. This affordability effect can also have substantial positive spillover effects for critical programs such as HUD’s Housing Choice Voucher (HCV) rental assistance program — and similar city- and state-funded efforts. A recent study considering the potential effects of increased supply in the Los Angeles metro area found producing market rate housing at the same rate as the 90th percentile U.S. metro area could have lowered rents by roughly 18%. At current funding levels, this would allow the HCV program to assist around 24% more low-income families in the region (over 15,000 additional households) (Corinth and Irvine, 2023).

However, with respect to the asserted neighborhood level effects described in this passage, the Ward & Phillips paper fails to identify how many projects of some 150 units or more are included among the purportedly deterred market rate projects (and therefore how many 1/8 mile radius zones might be created in Los Angeles’ 469 square miles if they were built). Note that, as stated in the study upon which the Ward & Phillips paper relies for this figure, a roughly 150 unit project caused a 40% increase in the total housing supply within the studies 1/8 mile radiuses.<sup>61</sup> Moreover, the studies cited do *not* find that a new, roughly 150-unit, market rate apartment building causes *existing* rents within a roughly 1/8th mile radius to fall by 4–6%. Rather, they find that these buildings *slow the rate of rent increase*, so that the increased rents within a roughly 1/8 mile radius of the new roughly 150-unit market rate project are 4-6% lower than the increased rents outside that radius.<sup>62</sup> Furthermore, these study results are based on a comparison

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<sup>61</sup> See Asquith, B. J., Mast, E., & Reed, D., “*Local effects of large new apartment buildings in low-income areas*”, Review of Economics and Statistics, 105(2), 359-375 at pp. 368-69.

<sup>62</sup> See Asquith, B. J., Mast, E., & Reed, D., “*Local effects of large new apartment buildings in low-income areas*”, Review of Economics and Statistics, 105(2), 359-375 at p. 373 (2023) (“We find that the concerns about rent increases driven by new market-rate housing are mostly unfounded. While *there is a strong observed correlation between new construction and rising rents*, this appears to be because new buildings are typically constructed in areas that are already changing. *When these new buildings are completed, they actually slow rent increases in the nearby area: the average new building lowers nearby rents by 5% to 7% relative to trend, translating into a savings of \$100 to \$159 per month.*”) (italics added); Pennington, K., “*Does building new housing cause displacement? The supply and demand effects of construction in San*

of the rents charged to *new* tenants (as reflected in listings) and not the rents charged to *existing* tenants. This matters because a majority of renter households in Los Angeles live in older apartments subject to the Los Angeles Rent Stabilization Ordinance and consequently pay rents that are far below market (i.e., below the initial rents these landlords can charge to new tenants in their buildings due to vacancy decontrol).<sup>63</sup> It therefore seems highly likely that landlords of *existing* rent stabilized tenants will continue to raise rents each year by the maximum permitted under the Los Angeles Rent Stabilization Ordinance *even if* the rate of increase in initial rents these landlords can charge to *new* tenants through vacancy decontrol is slowed by nearby construction of new market rate units.

Turning to the asserted metro area-wide effects of the market rate housing that is purportedly being deterred by Measure ULA, the Ward & Phillips paper does not identify the study it relies upon for the assertion that “[a] recent study considering the potential effects of increased supply in the Los Angeles metro area found producing market rate housing at the same rate as the 90th percentile U.S. metro area could have lowered rents by roughly 18%.”<sup>64</sup> Nor does the Ward & Phillips paper disclose what share of the total historical and ongoing deficit in housing production between the Los Angeles *metro area* and the 90th percentile metro area is represented by the market rate units that the paper asserts are being deterred by Measure ULA (and what impact on metro area rents and Section 8 costs would occur if those units instead were built). Note that the City of Los Angeles alone already has more than 1.5 million housing units, including more than 1.2 million rental units, and the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area already has more than 4.8 million housing units.

Finally, the “Introduction” to the Ward & Phillips paper asserts in passing that “[m]arket-rate housing development . . . spurs ‘migration chains’ that loosen pressure on tenants throughout the housing market.” But the Ward & Phillips paper does not attempt to calculate what impact migration chains from the purportedly deterred market rate units—if they would be built—would have on rent-burdened—and particularly severely rent-burdened—lower income households.

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*Francisco*” at p. 5 (2021) (“I find that monthly rents fall by \$22.77 - \$43.18 *relative to trend*, roughly 1.2 - 2.3%, for people living within 500m of a new project.”) (italics added).

<sup>63</sup> See Economic Roundtable, “Equitable Rent: Rent Stabilization Standards in the City of Los Angeles” (September 2024) at 12-17, 25-27, 88 (Tables 6-7), available at [https://clkrep.lacity.org/onlinedocs/2023/23-1134\\_rpt\\_hci\\_11-1-24.pdf](https://clkrep.lacity.org/onlinedocs/2023/23-1134_rpt_hci_11-1-24.pdf) (attachment to 11/1/24 Report by Los Angeles Housing Department to City Council).

<sup>64</sup> This assertion is not supported by “Corinth and Irvine, 2023”, the paper cited at the end of the paragraph from Ward & Phillips quoted above. The authors of the Corinth & Irvine paper simply “*assume* that deregulation would relax supply constraints such that the ratio of home values to production costs would fall to one” (i.e. that prices would equal production costs), and then calculate the reduction in rent levels—and additional Section 8 vouchers that could be funded—if that occurred today. Corinth, K., & Irvine, A., “*The Effect of Relaxing Local Housing Market Regulations on Federal Rental Assistance Programs*”, *Journal of Urban Economics*, at p. 8 (2023) (italics added). Likewise, none of the studies cited in the “Introduction” to the Ward & Phillips paper for the proposition that increased housing supply lowers rents appear to fit the description in the “Potential Reforms” section quoted above.

Indeed, the migration chain study relied upon by the Ward & Phillips paper states that “[u]nfortunately, because estimates of the elasticity of housing prices to increased quantities are limited, it is difficult to determine how the vacancies generated by the chains would affect prices.”<sup>65</sup> Moreover, as discussed above, any reductions in initial rents to new tenants that might flow from such migration chains would likely not have an impact on the rents charged by landlords to existing tenants in rent-stabilized units. Further, to the extent that the migration chains induce existing tenants in rent stabilized units to move, the rent charged to new tenants for these same units will be higher—in some cases very much higher—than the rent paid by the prior tenant due to vacancy decontrol, thereby raising the overall level of rent actually paid.

In summary, neither the Ward & Phillips paper nor the Manville & Smith paper presents any cost-benefit analysis of their proposals for the State to override the voter-approved terms of Measure ULA with respect to commercial and industrial properties. And while the Ward & Phillips paper purports to offer a cost-benefit analysis to justify its proposal for the State to override the voter-approved terms of Measure ULA with respect to multi-family residential properties, that purported cost-benefit analysis is highly inaccurate and a woefully inadequate basis for State action. This is because (1) the Ward & Phillips analysis completely ignores the thousands of highly distressed lower income households who will receive direct financial and legal interventions to keep them housed using the Measure ULA revenues that Ward & Phillips want the State to eliminate, (2) due to an inaccurate assumption about the size of federal tax credit funding, and a failure to consider the details of Measure ULA’s housing programs, the Ward & Phillips analysis underestimates the number of deed-restricted affordable housing units that will be created or kept in service using the Measure ULA revenues that Ward & Phillips want the State to eliminate, (3) the Ward & Phillips analysis completely ignores that the deed-restricted affordable housing units that will be created or kept in service using the Measure ULA revenues that Ward & Phillips want the State to eliminate (which will include permanent supportive housing units, units for extremely low income households, and units operated on a social housing model where tenants will have a meaningful voice in the management of the projects (and, where feasible and desirable, a pathway to ownership)) are much better suited to achieving the homelessness prevention and tenant protection goals of Measure ULA than inclusionary units in the market rate projects, and (4) the Ward & Phillips analysis fails to support and quantify its oblique suggestion that there would be a meaningful impact on either lower-income rent burden or homelessness from the purported supply effects and migration chains that would result from the market rate projects the paper asserts will not be built due to Measure ULA. Accordingly, the Manville & Smith and Ward & Phillips papers have not made the convincing policy case that principles of democracy, good governance, and home rule require before the State intervenes to override the voter-approved terms of Measure ULA and to take

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<sup>65</sup> Mast, E., “*JUE Insight: The effect of new market-rate housing construction on the low-income housing market. Journal of Urban Economics*”, at p. 8 (2023). The paper also notes that to the extent the rent for the poorest and most rent burdened households already is equal to the cost of providing that housing, the migration chain mechanism will not impact those rents. *See id.* According to Jenny Schuetz of the Brookings Institution, at least the poorest 20% of households nationwide cannot afford even that minimum rent level. *See Schuetz, J., Fixer Upper: How to Repair America’s Broken Housing Systems* at pp. 62-63 (2022).

away the funding for the financial, legal and other assistance that thousands of distressed lower income renter households desperately need.

**2. Neither paper provides adequate justification for adopting the specific “reforms” proposed even if some remedial action were required.** Even if a convincing policy case had been made for taking *some* remedial action with respect to Measure ULA (but it has not), a convincing policy case *also* would have to be made that the *specific State-imposed “reforms”* proposed in the Ward & Phillips and/or the Manville & Smith paper are proper. Without knowing what Assemblymember Wicks is contemplating for inclusion in a trailer bill, I will not in this letter discuss issues raised by the details of the various specific proposals (although such a discussion could become appropriate once Assemblymember Wicks makes a specific proposal public<sup>66</sup>). Rather, I will explain why both papers have failed to make a convincing policy case for the State to adopt *any* of their proposals at this time.

In particular, all of the proposed “reforms” put forth in the two papers ask the State to take away Measure ULA revenue that is desperately needed to address the lower-income household rent-burden and homelessness crises.<sup>67</sup> But remarkably, neither paper even considers, let alone analyzes, other options that would *not* take away Measure ULA revenue.

One such option is for the State to achieve the same results as the proposed “reforms” by rebating in some manner all or a portion of the Measure ULA transfer tax paid in connection with whatever types of property transfers the State wants to incentivize, so that the *net* result of the Measure ULA tax and the State rebate is the same as in the proposed “reforms”. Critically, if the analysis presented in the Manville & Smith paper is accurate and reasonably predicts the future, the State’s expenditures to support such a rebate program *will be offset* by the increase in new property tax revenues resulting from the incentivized property transfers (as well as by the fiscal benefits of preventing homelessness through the homelessness prevention programs that the preserved Measure ULA revenues will fund, as discussed above).<sup>68</sup>

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<sup>66</sup> For example, no explanation is offered in the Ward & Phillips paper for why it is advisable to exempt commercial, industrial and multi-family housing for 15 years after construction in order to permit two sales. In a pre-Measure ULA paper, Phillips recommended that “[t]he exemption period could last as few as three or as many as 10 years, with five years being a reasonable compromise, but only the first sale should be exempted.” Phillips, S., “*A Call For Real Estate Transfer Tax Reform*” at p. 14 (July 2020). Nor is any explanation offered for why Ward & Phillips apparently would apply this 15 year exemption to any industrial, commercial or multi-family housing that already has been constructed or is currently under construction.

<sup>67</sup> The one exception is the Manville & Smith proposal to lower the threshold for taxation, and tax it at a lower rate (e.g., tax sales above \$2 million at 1%, or 0.8%). As it seems highly unlikely that this is what Assemblymember Wicks is proposing for a trailer bill, or that two-thirds of the Legislature and the Governor are prepared to impose such a new tax at this time, I will not discuss this proposal further in this letter.

<sup>68</sup> Whether the value of the property taxes gained would be more or less than cost of the rebate program would depend upon its design, and on modeling assumptions.

For example, and for illustrative purposes only, the State could rebate (directly from State funds, through a credit on capital gains or income taxes, and/or through a credit against property taxes) a portion of the Measure ULA taxes paid by multi-family housing properties sold within 15 years of construction. The State could select the size of the rebate (e.g., half) and its structure (e.g., to render Measure ULA's rates applicable only as marginal taxes), and then analyze over time whether this rebate is sufficient to incentivize more multi-family housing production, or should be increased.

A second option is for the State to suspend aspects of Measure ULA *conditioned upon* payment by the State to the House LA Fund an amount equal to the revenue that fund would have received absent the suspension. Once again, if the analysis presented in the Manville & Smith paper is accurate and reasonably predicts the future, the State's expenditures to support such a rebate program *will be offset* by the increase in new property tax revenues resulting from the incentivized property transfers (as well as by the fiscal benefits of preventing homelessness through the homelessness prevention programs that the preserved Measure ULA revenues will fund, as discussed above).<sup>69</sup>

For example, and for illustrative purposes only, if it were credible to project that—absent Measure ULA—the dollar sales volume of multi-family housing would double during the first 15 years after construction, the State could suspend the Measure ULA tax on such sales conditioned upon the State paying to the House LA Fund the amount that the suspended transfer tax would have generated on one-half of the actual sales volume.

A third option is to leave the Measure ULA transfer tax in place, but provide other incentives for transactions the State wants to see proceed that are subject to the tax. For example, Santa Monica is putting in place right now a local offsite affordable housing and density bonus pilot program that it believes, based on discussions with local developers, will allow them move forward with their approved multi-family housing projects *in express contemplation of paying the Measure GS tax upon sale of the project* despite the very strong existing financial headwinds caused by current high interest rates, tariff issues, and construction labor supply issues.

***To be clear***, I am not suggesting in this letter what *is* the best route to “reform” in the event such reform is deemed necessary and/or desirable, and I certainly am not purporting to speak nor authorized to speak in any way for those involved with Measure ULA (or for others involved with Measure GS for that matter). What I am saying is that (1) the Ward & Phillips and Manville & Smith papers *do not even consider, let alone analyze*, a range of “reforms” that do not require taking desperately needed funding away from programs to aid severely rent-burdened lower-income tenants and to prevent homelessness, (2) the full range of options properly should be considered before any action is taken by the State (or any other level of government), and (3) the State should not act—even if it believes a convincing case for State action has been made (which has not occurred)—until there has been a meaningful opportunity for proponents, local elected officials, and other stakeholders to consider all potential options and to hold a local dialogue regarding how best to move forward.

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<sup>69</sup> Once again, whether the value of the property taxes gained would be more or less than cost of the rebate program would depend upon its design, and on modeling assumptions.

**(b) Neither Paper Makes A Convincing Policy Case For The State To Override Santa Monica Measure GS**

Given that neither the Ward & Phillips paper nor the Mansville & Smith paper has made a convincing policy case for the State to override the voter-approved terms of City of Los Angeles Measure ULA in the manner they suggest, *a fortiori* they have not made such a case with respect to the voter-approved terms of Santa Monica Measure GS (which they did not even study). But there are a number of additional Santa Monica specific reasons which illustrate the papers' irresponsibility in advocating for Statewide reform without even considering local differences.

*First*, there is no place in California that the State should want to see lower-income Californians live more than in the City of Santa Monica. Every census tract in our 8 square mile city is classified as either "Highest Resource" or "High Resource" by the California Tax Credit Allocation Committee and the California Department of Housing and Community Development.<sup>70</sup> The public school system is among the best in California.<sup>71</sup> Public transportation is available through the City-operated Big Blue Bus lines and the County-operated Metro buses and Metro Expo light rail line. The climate is mild because the City borders the Pacific Ocean. And, unlike other surrounding communities on the Westside of Los Angeles, for at least the past 45 years the majority of the political leadership—and the majority of the voters—have tried to keep Santa Monica an economically diverse community, welcoming to all no matter what their incomes, rather than let it become an economically-gated community.

In particular, Santa Monica voters added rent control to the City Charter (1979); the City created a community-based non-profit affordable housing developer and operator, Community Corporation of Santa Monica (1982); the voters added to the City Charter a mandate that the City Council ensure that at least 30% of all new multi-family housing constructed each year be deed-restricted housing affordable to and occupied by lower and moderate income households (1990); the City zoned for mixed-use developments on commercially zoned properties, commercial boulevards, and in the downtown (1990s through the present); the City imposed by ordinance inclusionary zoning affordable housing requirements on for-profit developers that provide increased height and density in exchange for increased inclusionary requirements (1992 through the present); the voters added to the City Charter authorization to expend City funds for affordable housing (1998); the City dedicated close to 40% of redevelopment funds to affordable housing—twice the state mandate of at least 20% (1990s through the State's elimination of redevelopment in 2011); the voters increased the local sales tax to generate new funds for affordable housing after the State eliminated redevelopment funding (2016); the City dedicated to affordable housing all of the one-time redevelopment loan repayments from the State (2017

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<sup>70</sup> See 2025 CTCAC/HCD Opportunity Map, available at <https://belonging.berkeley.edu/2025-ctcachcd-affh-mapping-tool-nc>.

<sup>71</sup> See, e.g., Santa Monica-Malibu Unified School District Rankings by Niche.com (ranking SMMUSD #7 out of 102 ranked school districts in L.A. area, #18 out of 490 ranked school districts in California, and #86 out of 10,561 ranked school districts in the United States), available at <https://www.niche.com/k12/d/santa-monica-malibu-unified-school-district-ca/rankings/>.

through the present); the City created and expanded a local rent subsidy pilot program to keep extremely low and very low income seniors in their long time homes (2017 through the present); and the voters passed Measure GS (2022).

*Second*, Measure GS leans heavily into financial assistance and other non-construction or acquisition programs to address lower income rent burden, prevent homelessness, and protect tenants. In particular, Measure GS requires that a minimum of 30% of the Homelessness Prevention and Affordable Housing Fund (after deduction of up to 6% for compliance, implementation and administration) be spent on emergency and/or ongoing rent subsidy programs, and permits up to 50% to go to such direct financial assistance and/or other tenant protection programs. Indeed, earlier this year the City Council adopted a homelessness prevention program that includes flexible financial subsidies and free tenant legal representation, all of which is to be funded solely by Measure GS revenues (including in its first year of operation the maximum amount of Measure GS funds raised that can be used for these purposes). Accordingly, it is an even more egregious error with respect to Measure GS that the Ward & Phillips analysis does not consider the numbers of financially distressed renters who will be served by programs—*other than* deed-restricted affordable housing creation—that will be funded using the revenues Ward & Phillips ask the State to eliminate.

*Third*, Measure GS is not prescriptive in how the funds earmarked for the creation or preservation of deed-restricted affordable housing are to be used (other than mandating that the Resident Oversight Committee—when making recommendations to City Council about how to spend any funds—consider cost-effectiveness). Thus, the ability to find more cost-effective ways to create or preserve deed-restricted affordable housing, and to make those units as useful as possible in preventing and addressing homelessness, is unconstrained. Moreover, Santa Monica already committed a great deal of public land to deed-restricted affordable housing creation in the 2021-2028 Housing Element, which could further help leverage Measure GS funds. Accordingly, the methodology used by Ward & Phillips to project the number of deed-restricted affordable housing units that will be created using the transfer tax revenues they seek to eliminate—and to compare those units to “lost” inclusionary units in purportedly deterred market rate projects—is potentially even more inaccurate as to Measure GS.

Further, even if the traditional Low Income Housing Tax Credit model were the only way to use Measure GS funds to create affordable housing (which it is not the case), and even if there was no recent expansion in such federal tax credits (which also is not the case), the ability of Measure GS revenues to make more *Santa Monica* projects competitive for the awarding of those credits would still be particularly worthwhile given the benefits to lower-income households—especially those with children—of living in a highly resourced community like Santa Monica.<sup>72</sup>

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<sup>72</sup> See Aliprantis, D., “*Racial Inequality, Neighborhood Effects, and Moving to Opportunity*” Federal Reserve Bank of Cleveland (Oct. 2019) (positive effects on labor force participation and employment from moving adults to higher resourced communities); Chetty, R., Hendren, N., and Katz, L. “*The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment*” American Economic Review (2016) (positive effects on educational attainment, earnings and family stability of moving children to higher resourced communities with excellent schools); [footnote continues on next page]

*Fourth*, the proposed “reforms” likely would have a particularly devastating impact on Santa Monica’s ability to fund Measure GS programs addressing lower income rent burden, homelessness prevention, and affordable housing. To begin with, prior to placing Measure GS on the ballot, the City Council commissioned an impact report by HR&A Advisors, Inc. According to that report, had Measure GS been in place for the prior ten years (i.e., 2012 through 2021), and assuming the same sales had occurred with that Measure in place as did occur without it, just 18.2% of transactions above the Measure GS threshold—and only 6.1% of the transfer taxes that would have been collected—involved sales of single family homes (with an average of just five qualifying single-family home sales per year). Thus, both the ballot argument in favor of Measure GS, and the supporting campaign literature, made clear that the vast majority of Measure GS revenues would come from multi-family and commercial property sales, not from home sales. By contrast, Manville & Smith and Ward & Phillips found, respectively, that in Los Angeles 60% of transactions above the Measure ULA threshold were single-family home sales, and that single-family home sales would have accounted for 40% of the revenues had it applied to the actual sales that occurred in the two years prior to its adoption.

Given the foregoing, Manville & Smith’s proposal to exempt all property sales except single family homes would devastate Measure GS. And, while I do not know what proportion of the sales of other properties in Santa Monica during the HR&A study period—or during the first two years of Measure GS—occurred within 15 years of construction, the Ward & Phillips proposal to exempt these other properties during that time frame likely would impact a far larger portion of Measure GS revenue than Measure ULA revenue.

Furthermore, transfer tax revenues are volatile, particularly in Santa Monica. In HR&A’s exercise, the amount of Measure GS transfer taxes that would have been collected during a single year in the period from 2012 through 2021 ranged from a low of \$15.9 million to a high of \$123.4 million. To protect the schools from this extreme volatility, Measure GS provides that the School District gets the first \$10 million raised each year, and will never receive less than 20% of total revenues raised. But that also means that in any year in which Measure GS revenues do not reach \$50 million, all of the shortfall falls on the Homelessness Prevention and Affordable Housing Fund. Therefore, the reduction in revenue that would occur under Ward & Phillips’ and Manville and Smith’s proposed “reforms” would fall disproportionately on the Measure GS funded programs designed to address lower-income rent burden, to prevent homelessness, and to create deed-restricted affordable housing.

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Chyn, E., “*Moved to Opportunity: The Longrun Effects of Public Housing Demolition on Children*” *American Economic Review* (2018) (same); Hackman, D., Cserblik, D., Chen, J. et al., “*Association of Local Variation in Neighborhood Disadvantage in Metropolitan Areas With Youth Neurocognition and Brain Structure*” *Journal of the American Medical Association Pediatrics* (May 2021) (children living in more disadvantaged neighborhoods have lower neurocognitive performance and smaller cortical surface area and subcortical volume in their brains than children living in higher resourced communities).

By way of hypothetical example only, in the first year of operation Measure GS raised approximately \$30 million. If the proposed “reforms” reduced that revenue by 30% (i.e., by \$9 million), the school district would be unaffected, but the other Measure GS programs would suffer a 45% reduction (i.e., would receive only \$11 million, instead of \$20 million).

*Fifth*, the Santa Monica City Council—after discussions with local developers—initiated a pilot program to create a new offsite affordable housing option and local density bonus law in an effort to allow the developers to move forward with their approved multi-family housing projects—in express contemplation of paying the Measure GS tax upon sale of the projects—notwithstanding the very strong current financial headwinds caused by high interest rates, tariff issues, and construction labor supply issues. Indeed, as reported by the City Council, the largest such developer—in lobbying for creation of this pilot program—asserted that the proposed program provisions would allow its projects to move forward and for it to pay \$120 million in GS taxes upon sale of the projects in 2030 (assuming all of its projects were included in the pilot). While there may be some further adjustments made to the details of the pilot program, this is precisely the type of local dialogue and action that the State should allow to play out.

In short, it was irresponsible of the Ward & Phillips and Manville & Smith papers to suggest Statewide “reforms” without investigating the situation in other cities such as Santa Monica, and it would be irresponsible for the State to adopt such reforms Statewide based on such an inadequate investigation.

#### **IV. CONCLUSION**

For the foregoing reasons, please advise Assemblymember Wicks that you oppose any attempt at this time to use a trailer bill to override the voter-approved terms of Measures ULA and GS.

Thank you for considering my views. Please feel free to reach out to discuss at (310) 963-0337 (my cell phone number) or [mike.soloff@gmail.com](mailto:mike.soloff@gmail.com).



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