AIA Los Angeles

May 27, 2026

Ad Hoc Committee on Measure ULA
Los Angeles City Council
200 North Spring Street
Los Angeles, CA 90012

RE: AIA|LA Support for Councilmember Lee's Motion to Reform Measure ULA (Council File 26-0782) — and Opportunities to Improve Measure ULA (Council File: 26-0088-S1)

Dear Committee Chair Jurado, Councilmember Lee, and Councilmember Padilla,

As the Director of Government and Public Affairs with the Los Angeles Chapter of the American Institute of Architects (AIA|LA), I am writing to express strong and explicit support for the motion introduced by Councilmember John Lee (Council File 26-0782), seconded by Council President Harris-Dawson, to place amendments to Measure ULA on the November 3, 2026 ballot — and to support the companion motion from Councilmember Padilla (CF 23-0038-S15) to improve the governance and operational effectiveness of the Citizens Oversight Committee. Together, these two motions represent a coherent, responsible, and urgently needed reform package. AIA|LA urges this Committee to advance both.

AIA|LA represents more than 4,500 architects and design professionals in the greater Los Angeles region. Through our annual Design for Dignity Conference, our Government and Public Affairs program, and our sustained advocacy for housing production and equitable urbanism, we have a direct stake in how Los Angeles plans, zones, and builds.

We want to be clear from the outset: we support Measure ULA. Since taking effect in April 2023, it has raised more than $1 billion for affordable housing production, tenant protections, and homelessness prevention — resources that are urgently needed in a city facing one of the worst housing crises in the nation. **That mission is worth protecting. But protecting it requires confronting an uncomfortable truth: as currently designed, Measure ULA is working against itself — and increasingly out of step with the direction California's own leadership is moving.**

AIA|LA urges the Committee to advance the following six reforms:

1. **Exempt newly constructed multifamily and non-residential properties from the tax for a defined period of time — modeled on the 15-year exemption proposed in Councilmember Raman's January 2026 motion.**

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2. **Reduce the ULA transfer tax rate on multifamily and mixed-use properties to a rate between 2–3.5% — as proposed in Councilmember Lee's motion (CF 26-0782).**
3. **Remove barriers to revenue bonding — enabling maximum flexibility to build expeditiously.**
4. **Expand public reporting and performance measures — including quarterly updates to Council Districts and regular reporting from the ULA Citizen Oversight Committee.**
5. **Expand the use of ULA funds — to provide greater flexibility to respond to immediate housing needs in coordination with local Council Districts, including street homelessness response.**
6. **Reform the Citizens Oversight Committee governance structure — as proposed in Councilmember Padilla's motion (CF 23-0038-S15), by removing the written-findings requirement for Council amendments and reducing the minimum experience threshold from 5 years to 2 years.**

THE EVIDENCE IS CLEAR

The academic record is no longer in dispute. Researchers at UCLA's Lewis Center for Regional Policy Studies have established a robust causal link between Measure ULA and a decline in multifamily housing production of at least 1,910 units per year — an 18% drop among projects with 20 or more units, relative to the 2020–2022 average. A separate UCLA study found that since the tax went into effect, the odds of a Los Angeles property selling above the tax threshold have fallen by as much as 50%, with non-single-family transactions declining by 30–50%. Research from RAND, Harvard, and UC Irvine has reached consistent conclusions.

Council President Harris-Dawson said it well on the day this committee was formed: taxing the construction of affordable housing is not in the spirit of what voters intended. Councilmember Lee's motion is a direct, evidence-grounded response to that misalignment.

The broader reform coalition — "Affordable LA: Mend It, Don't End It," led by California Community Foundation President Miguel Santana — has reinforced this case with a critical additional finding: roughly 80% of low-income renters in Los Angeles live in privately financed housing. When Measure ULA discourages private multifamily investment, the harm flows directly to the lowest-income renters, who face higher rents and fewer available units in a market starved of new supply.

WHAT THE FINANCIAL DATA SHOWS — THE CASE FOR EXEMPTING NEW CONSTRUCTION AND REDUCING THE RATE

A March 2026 financial feasibility study by BAE Urban Economics — commissioned to analyze the actual impact of the ULA tax on new development using 33 months of transaction data — provides the most granular picture yet of how the tax interacts with development economics. Its findings powerfully validate both the new construction exemption (Recommendation 1) and the rate reduction (Recommendation 2).

The ULA tax almost never touches new buildings — making the exemption essentially revenue-neutral.

Approximately 91.3% of multifamily units subject to the ULA tax were in buildings more than seven years old. The median year-built of taxed multifamily properties was 1970. Only 13 transactions — representing 1,146 units — involved buildings seven years old or less, and in 2025 newly built units subject to the tax represented just 0.22% of the total multifamily units constructed during the corresponding period. This finding is decisive: a 15-year exemption for new construction would cost almost nothing in lost ULA revenues, because new buildings almost never trigger the tax anyway. **What the exemption would do is remove a significant forward-looking deterrent — the anticipation of the tax at exit — that discourages developers from breaking ground in the first place.** New housing construction is not a wealth transfer. It is the act of creating the very housing stock Los Angeles desperately needs. A time-limited exemption removes the tax as a barrier to new projects while preserving full revenues from the resale of existing high-value properties. This is a targeted fix, not a repeal.

Most multifamily projects are not financially feasible under current conditions — with or without the ULA tax.

For projects with asking rents at the 50th percentile for the Wilshire CPA (roughly corresponding to median rents citywide), BAE found a negative return-on-cost of -11.56% — meaning these projects do not pencil out regardless of whether the ULA tax is present or absent. Eliminating the ULA tax entirely raises the unleveraged IRR by only 70 basis points at a seven-year holding period, compared to 193 basis points from a normalization of capitalization rates alone. Market headwinds — rising cap rates, elevated construction costs, plateauing rents — are larger structural problems than the ULA tax by itself.

This is a reason to reform precisely, not a reason to delay.

The BAE findings do not argue against the Lee motion — they argue for calibrating it precisely. They confirm that the 4–5.5% rate is adding a meaningful transactional cost on top of an already difficult development environment. The study identifies a "narrower band" of multifamily projects — roughly between the 67th and 80th percentile of citywide asking rents — where a ULA tax reduction to the 2–3.5% range could help close the return gap and tip projects toward viability. For the city's most productive development corridors, that margin matters. The new construction exemption addresses the front end of the development cycle; the rate reduction addresses the back end. Together they form a coherent, two-part intervention.

Capitalization rates are at historic highs — compounding the tax's impact.

BAE found the current median exit cap rate in the ULA transaction sample is 5.47%, compared to a 10-year historical average of 4.73% for the City of Los Angeles. This elevated cap rate is the single largest suppressor of project feasibility. While cap rates are driven by broader macroeconomic forces, this finding reinforces why removing bonding barriers — as the Lee motion proposes — is a complementary and equally important action.

Shorter-hold developers are disproportionately harmed.

BAE confirms that the ULA tax's impact is felt most acutely by developers with shorter holding periods — precisely the "build-and-sell" model most common among small and mid-sized multifamily builders. For these developers, the tax is a direct hit on exit proceeds. A new construction exemption combined with a rate reduction in the 2–3.5% range would materially improve IRR outcomes for this class of developers, making more projects viable and more capital available for mid-scale multifamily production throughout the city.

Commercial property is especially distressed.

The BAE study found that 90.9% of commercial building area subject to the ULA tax was in properties more than ten years old, and that commercial projects produce negative returns on cost under all tested scenarios — even with full ULA exemption. Commercial cap rates in the ULA sample averaged 6.90%, signaling elevated risk and suppressed investment. The Lee motion's proposal to direct the CAO to explore rate caps for additional categories — including single-family, medical, educational, and arts facilities — is consistent with this evidence.

A PIPELINE IN CRISIS — AND MEASURE ULA IS MAKING IT WORSE

A March 2026 report from Enterprise Community Partners puts the stakes in sharp relief. California currently has 39,880 affordable homes — across 461 developments — sitting fully designed, entitled, and approved, but unable to break ground due to insufficient funding. In Los Angeles and Ventura counties alone, 9,533 of those homes are in the pipeline, many in communities still recovering from the 2025 wildfires.

Enterprise estimates that moving this pipeline forward requires $2.3 billion in state subsidies, $1.8 billion in state tax credits, and $5.8 billion in tax-exempt bonds. For every $1 of state funds invested, nearly $3.60 in local, federal, and private dollars is leveraged — meaning California stands to lose an estimated $7.7 billion in matched investment if public subsidy is not forthcoming. Fragmented financing systems add as much as $47,000 per unit in unnecessary costs.

Given that nearly 9,500 pipeline homes in the LA region are already stalled for lack of capital, a new construction exemption is not a favor to developers — it is a necessity for getting housing built. Removing the anticipation of a 4–5.5% exit tax removes one more reason for a capital-constrained developer to pause, defer, or redirect a shovel-ready project to a neighboring jurisdiction. The Lee motion's bonding provision addresses the deployment side of the same problem: $589 million in ULA revenues sitting idle is not a sign of program health — it is a sign of a system that needs to be uncorked.

CALIFORNIA IS MOVING IN ONE DIRECTION. MEASURE ULA IS PULLING IN ANOTHER.

In July 2025, Governor Newsom announced the creation of a first-of-its-kind California Housing and Homelessness Agency — consolidating the Department of Housing and Community Development, CalHFA, the California Interagency Council on Homelessness, and other key bodies under unified leadership, with a target of 2.5 million new homes by 2030, including one million affordable units. Enterprise Community Partners independently estimated that this coordination effort alone could generate $463 million in annual cost savings.

The state is moving toward less friction, faster permitting, and better-aligned financing tools. Measure ULA, as currently structured, moves in precisely the opposite direction — adding a significant transaction cost to the very multifamily and mixed-use projects the state's new agency is designed to accelerate. A new construction exemption and a rate reduction together constitute the most direct signal the City of Los Angeles can send that it intends to be a partner in this effort, not an obstacle.

LOS ANGELES IS LOSING GROUND TO ITS OWN NEIGHBORS

Measure ULA applies only within the City of Los Angeles. Every neighboring jurisdiction in Los Angeles County — Long Beach, Culver City, Glendale, Burbank, Santa Monica, Pasadena, Alhambra, El Segundo, Inglewood, and dozens more — operates under no comparable tax burden. The BAE study's capitalization rate data makes this competitive disadvantage concrete: when LA's cap rates are already at historic highs relative to comparable California markets, adding a 4–5.5% transfer tax on top tilts the investment calculus further against the city. Capital flows to lower-friction markets. Entitlements follow.

This dynamic is further underscored by LACAHSA, the Los Angeles County Affordable Housing Solutions Agency — a regional intergovernmental body with a countywide board and a mission to accelerate housing production across all 88 cities in LA County. Its explicitly regional funding model reflects a growing consensus that housing solutions must transcend city boundaries. A city-only tax structure that unintentionally diverts investment to neighboring jurisdictions works directly against that regional logic.

THE CITIZENS OVERSIGHT COMMITTEE MUST BE FIXED TOO — AIA|LA SUPPORTS THE PADILLA MOTION

No reform package for Measure ULA is complete without addressing the structural dysfunction of the Citizens Oversight Committee (COC). Councilmember Padilla's motion (CF 23-0038-S15) identifies two specific governance problems that have materially hampered the City Council's ability to manage and improve the measure.

The written-findings requirement.

Under the current ordinance, if the COC issues an opposing recommendation on a proposed amendment to Measure ULA, the City Council is required to make written findings before proceeding. This provision creates an unnecessary procedural veto that limits the elected Council's ability to respond to changing housing and economic conditions. Councilmember Padilla's motion would remove this requirement, restoring appropriate democratic accountability without eliminating the COC's advisory role. AIA|LA strongly supports this reform.

Prolonged vacancies due to restrictive eligibility requirements.

The current ordinance requires COC members to have at least 5 years of experience across 13 voting seats — a threshold that has produced prolonged vacancies and governance gaps. Reducing the minimum to 2 years would broaden the pool of eligible appointees, bring more diverse community voices into the oversight process, and ensure the committee can function with continuity and representativeness. AIA|LA supports this as a straightforward improvement that strengthens, rather than weakens, public accountability.

A COC that cannot be seated in a timely manner, and that has the structural ability to block Council action through procedural requirements, is not a more accountable oversight body — it is a less functional one. Fixing these governance provisions is a precondition for a well-functioning Measure ULA.

AIA|LA'S EXPLICIT SUPPORT FOR ALL SIX RECOMMENDATIONS

1. New Construction Exemption.

The BAE study confirms that newly built properties represent a negligible share of ULA tax transactions — making a 15-year new construction exemption essentially revenue-neutral while removing a critical forward-looking deterrent to development. New housing construction is not a wealth transfer. It is the act of creating the very housing stock that Los Angeles desperately needs — to meet its state-mandated goals, reduce rents, and contribute to California's 1 million affordable homes target. Given that nearly 9,500 pipeline homes in the LA region are already stalled for lack of capital, removing the transactional cost at exit is not a favor to developers — it is a necessity for getting housing built.

2. Rate Reduction for Multifamily and Mixed-Use Properties (2–3.5%).

The current 4–5.5% rate adds material cost burden to projects already at or below the margin of financial feasibility. A rate in the 2–3.5% range would meaningfully improve project economics for the subset of developments closest to viability — particularly mid-scale multifamily in higher-rent corridors — while preserving substantial revenues from true luxury transactions. AIA|LA supports directing the CAO to return with specific rate options in this range, and supports including single-family, medical, educational, and arts facilities in the cap categories.

3. Removal of Barriers to Revenue Bonding.

With $589 million in undeployed ULA revenues sitting idle, the inability to leverage those funds through bonding is a self-inflicted constraint. The BAE study confirms that financing cost — at 7% on construction loans in the current environment — is one of the most significant inputs in project feasibility. Removing bonding barriers allows the city to deploy capital at the speed and scale the crisis demands.

4. Expanded Public Reporting and Performance Measures.

Quarterly updates to Council Districts on expenditures, persons served, and program outcomes — combined with regular reporting from the COC to the full Council — will increase accountability, build public trust, and ensure that reforms are data-driven going forward. The BAE study's transaction-level analysis is exactly the kind of granular evaluation that ongoing quarterly reporting can sustain and build upon.

5. Greater Fund-Use Flexibility, Including Street Homelessness Response.

The ability to direct ULA funds in coordination with local Council Districts — including for immediate street homelessness interventions — reflects a necessary evolution in how the measure can serve the City's most urgent needs. AIA|LA supports this provision.

6. COC Governance Reform (Padilla Motion, CF 23-0038-S15).

Removing the written-findings requirement and reducing the experience threshold from 5 to 2 years are preconditions for a COC that functions as intended — as a credible, well-seated, continuously operating oversight body. AIA|LA explicitly supports both provisions.

ACTING NOW IS ESSENTIAL — THE WINDOW IS CLOSING

This Committee's work does not occur in a vacuum. The Howard Jarvis Taxpayers Association has gathered signatures for a statewide ballot initiative that could severely limit or eliminate local transfer taxes like ULA entirely. The coalition behind ULA has confirmed that Howard Jarvis has no interest in negotiating — their goal is full elimination, not reform. The City's best defense is a reformed, demonstrably effective, locally controlled Measure ULA that voters can be proud to protect.

A measure that is visibly failing to produce housing, failing to deploy its revenues, operating with a dysfunctional oversight committee, and driving investment to neighboring cities is far more vulnerable to a statewide override than one that has been fixed, optimized, and proven to work. The Lee and Padilla motions together address all of these vulnerabilities. The November 2026 ballot is the right venue. The moment to act is now.

CONCLUSION

AIA|LA urges this Committee to advance Councilmember Lee's motion and Councilmember Padilla's motion to the full Council without delay. The evidence from UCLA, RAND, Harvard, UC Irvine, BAE Urban Economics, and Enterprise Community Partners tells a consistent story: a measure that taxes new construction, stalls housing production, drives investment to neighboring cities, leaves hundreds of millions in revenues undeployed, operates with a structurally impaired oversight committee, and runs counter to the state's own housing agenda ultimately fails the very tenants it was designed to protect.

California has restructured its state government to fight the housing crisis. LA County has stood up a new regional agency to coordinate that fight. The "Mend It, Don't End It" coalition has built broad, cross-sector support for exactly these reforms. Nearly 10,000 affordable homes in the LA region are sitting in a pipeline, ready to be built, waiting for the financial conditions to make them viable.

The City of Los Angeles now has the opportunity — and the obligation — to reform Measure ULA so that it amplifies these efforts rather than works against them. We urge the Committee to move swiftly and to send both motions to the full Council with a strong recommendation for the November ballot.

Thank you for your time, your service, and your commitment to getting this right.

Truly yours,

Will Wright, Hon. AIA|LA
Director, Government & Public Affairs