


As challenges loom, L.A. City Council approves \$150 million in 'mansion tax' spending

 [latimes.com/business/real-estate/story/2023-08-29/as-challenges-loom-l-a-city-council-approves-150-million-in-mansion-tax-spending](https://www.latimes.com/business/real-estate/story/2023-08-29/as-challenges-loom-l-a-city-council-approves-150-million-in-mansion-tax-spending)

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Passed by voters in November, Measure ULA places a transfer tax on property sales above \$5 million in L.A.

By Jack Flemming

The Los Angeles City Council passed a \$150-million spending plan for funds raised by Measure ULA on Tuesday, marking the first time funds will be specifically allocated since Angelenos passed the tax in November.

The expenditure plan will be directed to six programs: short-term emergency rental assistance, eviction defense, tenant outreach and education, direct cash assistance for low-income seniors and people with disabilities, tenant protections, and affordable housing production.

"This is the largest source of revenue, that's going to be consistent, that this city has access to for these uses ever," said Councilmember Nithya Raman. "It's really transformative for Los Angeles."

Of the \$150 million, \$23 million will go toward eviction defense, \$23 million will go toward income support for rent-burden seniors, and \$18.4 million will go toward rent debt assistance.

The first program to be implemented will be an emergency rental assistance program, which will open Sept. 19.

Dubbed a 'mansion tax,' Measure ULA took effect April 1, bringing a 4% charge on all residential and commercial real estate sales in the city above \$5 million and a 5.5% charge on sales above \$10 million.

Since April, the tax has raised roughly \$55 million. City officials said ULA money can be spent only as it comes in, so the city won't be able to use the full \$150 million until the tax generates \$150 million.

Before the vote at Tuesday's meeting, about a dozen tenants and community activists expressed support for the funding, saying it is desperately needed, especially in the tenant-outreach and eviction-defense programs.

"I am ... excited that tenants will also have an opportunity to be legally represented in court and that landlords will not be the only ones with an attorney during an eviction," said Karely De La Cruz, a civic engagement organizer with TRUST South L.A. "Because housing is a human right."

“We really need you all to pass the ULA plan today. That money belongs to the community,” said Chad Williams, an L.A. organizer for the Alliance of Californians for Community Empowerment.

Joe Donlin, director of United to House LA, the coalition that brought Measure ULA onto the ballot, vowed that the coalition will stand together during the implementation process to make sure every dollar is spent effectively.

While \$55 million is a significant amount of funding toward L.A.’s housing crisis, it’s still a far cry from original projections of how much the tax would raise.

Early proponents of Measure ULA estimated the tax would raise roughly \$900 million per year. In March, a report from the City Administrative Office lowered that number to \$672 million.

But once the tax took effect, L.A.’s luxury market froze. Only two homes sold for more than \$5 million in the month of April, and the market hasn’t quite recovered since.

Part of the blame can be placed on the overall state of the real estate market that’s still hungover from historic pandemic sales and rising mortgage rates. But many luxury homeowners have simply decided to avoid the tax, either by refusing to sell their homes or hiring accountants and tax specialists to find loopholes.

As a result, Mayor Karen Bass’s first budget proposal, a \$13.1-billion plan, projected only \$150 million in revenue from Measure ULA.

The \$150-million mark is both a product of a slowing real estate market and an emergency backup plan in case the measure gets overturned. If it does, the city has to pay back all the funds raised by the tax.

At the moment, the measure must overcome two major hurdles: an ongoing court case arguing that the tax is unconstitutional and a state ballot measure that Californians will vote on next year.

Barely begun, the court case has already seen its fair share of drama. Superior Court Judge Barbara Scheper recently became the third judge presiding over the case. The previous judge, Joseph Lipner, recused himself after one of the plaintiff’s attorneys complained that he had a conflict of interest because he had previously worked at a law firm that represents the Southern California Assn. of Nonprofit Housing, the Real Deal reported.

Meanwhile, the 2024 ballot measure, called the Taxpayer Protection and Government Accountability Act, would require two-thirds voter approval for new local special tax hikes dating back to January 2022, therefore dismantling Measure ULA, which received 57% approval.

Even if the measure is eventually overturned, the full \$150 million will be spent, according to Councilmember Bob Blumenfield.