

Is It a Funding Issue?

Economic Impacts of the Proposed City of Los Angeles Transfer Tax for Housing and Homelessness

*As part of its ongoing mission to identify and analyze policies driving up the cost of living and impacting the state's business climate, the Center for Jobs and the Economy undertook an in-depth analysis of the City of Los Angeles **Funding for Affordable Housing and Tenant Assistance Programs Through a Special Tax on Real Property Transfers Over \$5 Million, Initiative Ordinance (Transfer Tax)***

Key Findings

Largest Tax Increase in the City's History

- At an estimated \$860 million per year, the proposed transfer tax would become the City's second largest tax source, behind only the general property tax.
- The measure would result in a **27.3% increase in property taxes** and a **14.0% increase in total taxes charged by the City**.

68% Of the Tax Would Be Paid By Rental Properties and Businesses

- Single family residences on average would pay only 28% of the proposed tax.
- Multifamily residences (rental properties) would pay about 25% of the proposed tax.
- Business properties (commercial, industrial, institutional, recreational and agricultural) would pay the largest share at 43%.
- The resulting price pressures from the tax increase would likely produce **rent increases on both households and businesses of 5.5% to 8.0%**.

Increases Housing Supply By Only 640 Affordable Units Per Year

- At the current unit cost, the estimated \$430 million for new tax for housing would be sufficient to increase annual financing of affordable housing by only a net 640 units per year, or by an amount equivalent to a **0.04% increase in the City's housing supply**.
- Using the average household size, this housing would accommodate only **1,700 persons**. This level would cover only 4% of the 41,290 homeless individuals identified in the 2020 surveys, or at a level that would **not even maintain pace with the annual increase in the number of homeless**.

More Than 4,000 Jobs Lost Within the County of Los Angeles

- Within Los Angeles County, the transfer tax would lead to a **reduction in 4,000 direct and indirect jobs** as business and rental properties pay the tax.
- There are also **uncertain effects on the estimated 33,100 direct and indirect jobs** created by business and rental development annual investments in the City of Los Angeles near the threshold levels of this measure. Not all of these jobs would be eliminated, but just as likely would be shifted outside the City of Los Angeles, as development projects become more expensive compared to investment opportunities in adjacent areas.
- The transfer tax will lead to an **increase of 2,900 direct and indirect jobs** from the annual expenditure for construction and support of nonprofit groups. About two-thirds of those jobs, however, would only be created as new construction begins, which could be delayed by as much as 5-6 years from funds awarded, if Prop HHH experience is a guide.

Read the Report at www.centerforjobs.org/ca