



"Great Apartments Start Here!"

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Via Electronic Mail

Members of the Los Angeles City Council
City Hall
200 North Spring Street
Los Angeles, California 90012

Re: Council Files 19-0623 – Vacancy Tax and Empty Homes Penalty (Agenda Item 33)

Dear Members of the Los Angeles City Council:

At tomorrow's June 16th City Council meeting, the City Council will consider the advancement of a vacancy tax measure for consideration by the voters during the November 2020 election or alternatively review the matter more comprehensively for consideration on the 2022 ballot. The Apartment Association of Greater Los Angeles (AAGLA) strongly opposes the imposition of a vacancy tax and urges the Council to reject placement of such a measure on the November 2020 ballot.

One year ago, the Council directed the Housing and Community Investment Department (HCID+LA) and the Chief Legislative Analyst (CLA) to report on the amount of vacant housing units in Los Angeles and examine the vacancy taxes in other jurisdictions, respectively. This past week, both reports were publicly released on June 8th and June 11th. Within a week of the release of these reports, with minimal opportunity for key stakeholder engagement and thoughtful review, the Council is contemplating placement of a vacancy tax on the November 2020 ballot. Both reports raise questions that necessitate further assessment.

The HCID+LA report indicates that "there is no one reliable source of vacancy data" and that their analysis "includes all vacant units and does not distinguish between units that have been rented but not occupied and units that are currently for rent or sale". While the HCID+LA report provides the methodology for how they arrived at their vacancy rate estimate and a brief review of several other jurisdictions that have adopted a vacancy tax; the report lacks a detailed analysis of the various reasons for why a unit may be vacant, and the impacts and/or challenges encountered by jurisdictions that have imposed a vacancy tax.

Moreover, the CLA report states "given the complexity of a vacancy tax and the several policy points that must be decided, including the definition of "vacancy", appropriate tax rates, exemptions,



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and owner characteristics, limited data to assess the efficacy of such a tax on the City, and outstanding legal challenges related to this matter, Council may wish to study the issue further for consideration in 2022". The CLA report repeatedly highlights the difficulties in evaluating the long-term impacts of a vacancy tax due to the relatively recent establishment of such measures in other jurisdictions coupled with the current economic circumstances and legal challenges. Equally concerning is that the CLA report includes information and recommendations based on a "Blue Sky" study which is not attached or otherwise publicly available.

We are in the middle of an unprecedented global pandemic that is continuously evolving. In response the City Council has instituted an eviction moratorium in place since March with a twelve-month deferred rent repayment period and a rent increase freeze effectively imposed for well over a year. Owners are experiencing severe financial challenges in meeting their current financial obligations, ongoing essential building maintenance and property tax payments. Imposing a new tax on homeowners and housing providers will predictably result in a loss of the City's much needed affordable housing as owners facing ongoing financial constraints are compelled to exit the rental housing business.

While all the above concerns warrant halting the placement of a new tax on the 2020 ballot, the \$12 million cost to the City to place this initiative on the ballot, as estimated by the City Clerk in a letter dated June 12th to the Council, should alone cause the Council to pause. This \$12 million, could be allocated for critical needs, not to cover the cost of placing the measure on the ballot, with no guarantee that it would result in voter approval. Given the recent defeats of several tax related ballot measures, it seems fiscally imprudent to be spending a significant amount of City funds for this purpose when such funds could be better utilized for assisting City residents and businesses struggling due to the impacts of the COVID-19 pandemic.

In light of the COVID-19 pandemic, serious economic instability ahead, the limited opportunity for stakeholder feedback, the clear need for further assessment, and an immediate cost to the City of \$12 million, we urge the City Council to reject placement of this measure on the 2020 ballot.

Thank you for your time and consideration of these matters. If you have any questions, please call me at (213) 384-4131; Ext. 309 or contact me via electronic mail at danielle@aacla.org.

Very truly yours,

Danielle Leidner-Peretz

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