Title

The Consequences of Measure ULA: Some Clarifications

Authors

Manville, Michael
Smith, Mott
Phillips, Shane

Publication Date

2025-08-19

UCLA Lewis Center for Regional Policy Studies

THE CONSEQUENCES OF MEASURE ULA

Some Clarifications

August 2025

Acknowledgments and Disclaimer

About The UCLA Lewis Center For Regional Policy Studies

Housed at the UCLA Luskin School of Public Affairs, the Ralph & Goldy Lewis Center for Regional Policy Studies is committed to addressing the pressing policy and planning issues in Greater Los Angeles. The Lewis Center advances research on two critical and overlapping challenges — housing affordability and transportation equity — and how these areas intersect and shape the well-being of Los Angeles residents, especially those from marginalized and underserved communities. Since 1989, Lewis Center scholars and staff have produced high-quality research, programs and publications designed to inform policymakers, officials, students, and the broader public. **lewis.ucla.edu**

Land Acknowledgment

As a land grant institution, the Lewis Center for Regional Policy Studies at UCLA acknowledges the Gabrielino/Tongva peoples as the traditional land caretakers of Tovaangar (Los Angeles basin, So. Channel Islands).

Report Authors

Michael Manville, UCLA Lewis Center for Regional Policy Studies and UCLA Department of Urban Planning
Mott Smith, USC Price School of Public Policy, Real Estate Development
Shane Phillips, UCLA Lewis Center

Photo Credit

Juan Carlos Becerra/Unsplash

Summary

This report responds to criticisms of two earlier UCLA Lewis Center reports, both of which evaluated the effects of Measure ULA, a real estate transfer tax implemented in the City of Los Angeles in April 2023. We show that these criticisms are misguided. No social science research is perfect, but there is no reason to think our earlier reports are fundamentally flawed. We also examine a key claim made by the critics, which is that Measure ULA has already created 10,000 union construction jobs. We show that this claim is almost certainly untrue.

Introduction

In early 2025, the UCLA Lewis Center published two reports examining the effects of Measure ULA, a real estate transfer tax levied by the City of Los Angeles. The research concluded that while ULA raised vital funds for low-income housing assistance, it also had some unintended costs. Specifically, both reports found that Measure ULA was reducing the number of high-end property transactions in the city, and doing so particularly on the type of parcels (commercial, multifamily residential, and industrial) that were most likely to be redeveloped. ULA, the reports concluded, was likely reducing redevelopment, and in doing so decreasing both the city's property tax revenue and its supply of new housing. Both reports also concluded that this problem, while serious, was fixable. Some simple reforms in the form of exemptions could preserve almost all of the revenue ULA was raising, and eliminate many of its unintended costs.

Well before either Lewis Center study was begun, policymakers in Sacramento had been considering legislation to reform transfer taxes in California. Our reports, once published, inevitably began to play a role in those efforts. The reform effort culminated in Assembly Bill 698, a transfer tax reform bill that remains in debate as of this writing. A number of AB 698's proponents cited our reports in their support of the bill.

Conversely and unsurprisingly, many opponents of AB 698 have attacked our work. On May 27, for example, a coalition of advocacy groups (hereafter "the coalition") issued a letter opposing AB 698.[1] The letter is short, but almost half of it is given over to negative assertions about the Lewis Center's research. Here is the exact language it uses:

> ***The Lewis Center Studies Should Not be Used to Inform Policymaking & Are Riddled with Methodological Issues:***
> *• The "control" group is not representative, the permit regression analysis does not include control variables to account for changing market conditions, and the overall sample size is far too small to make reliable conclusions.*
> *• Insufficient and asymmetrical time period for comparison: 1 quarter of pre-ULA transactions (Q3 2020-Q1 2023) and only 7 quarters of post-ULA transactions (Q2 2023- Q4 2024).*
>
> ***Current Market Reality Proves the Studies Wrong and Premature***
> *• ULA transactions are on a rapid upward trend after the irregularities of its first two years.*
> *• New development has increased in transfer tax cities like San Francisco and Santa Monica*

[1] The letter, which was circulated to members of the state Legislature, is technically called a "floor alert." We append it at the end of this brief.

We disagree. No social science is perfect, but our work is not "riddled with methodological issues" and we see no recent evidence, in Los Angeles or elsewhere, suggesting we should revise our findings.

We have two goals in this report. First, we address these criticisms of our work from the May 27 letter. We will clarify our methodology, and show that the various counterexamples being offered — of positive outcomes in Santa Monica or San Francisco, or an upward transaction trend in Los Angeles — are largely illusory or irrelevant. Constructive criticism and debate are essential for good policymaking, and we appreciate the opportunity to elaborate on our work and respond.

Our second goal, in the same spirit, is to subject some of our critics' assertions to the same scrutiny. Specifically, we investigate the coalition's claim that ULA has already "created 10,000 union construction jobs." This claim is made in the May 27 letter (under "outcomes resulting from ULA's first year of implementation") and has appeared in other venues as well. We show that this claim is almost certainly false. We examine the claim from three different directions. We don't claim to determine the exact number of jobs ULA has created. For reasons we will explain, estimating the employment effects of public programs is actually quite difficult. We will show, however, that no reasonable approach gets you anywhere near 10,000.

As best we can tell, the coalition's claim is off by at least a factor of 5, and more likely by a factor of hundreds. It isn't unreasonable to think that the number of jobs associated with Measure ULA, at the time the letter was written, was somewhere around a few dozen. One could even argue that it was under 10.

Why does this matter? Certainly it should matter to people who care about regional employment. Union construction work is, all else equal, a good thing for a state to have. If Measure ULA's proponents are claiming jobs that don't actually exist, that doesn't help workers or the labor movement. It also matters because claims about job creation are a common rhetorical tool in public debates, but few people, in our experience, understand how these estimates are made, or how to determine if they are reliable. We hope to shed a little light on that process.

To be sure, the question of whether ULA has created 10,000 jobs tells us nothing about the validity of the Lewis Center reports. Our research only documents some of Measure ULA's unintended costs; we assume and accept that the measure has real benefits. So the jobs question has no *direct* bearing on discussions about our own work.

Arguably, though, it has an indirect bearing. Our standards of rigor and evidence have been impugned, and when that happens, in addition to addressing any specific critiques, it can be useful to examine the standards held by those doing the impugning. Do the people demanding rigor and robustness from others hold their own assertions to the same criteria? In this case they don't. In our reports, both over 50 pages in length and thoroughly sourced, we explain our

assumptions, reasoning and data. The coalition's jobs claim, in contrast, is opaque at best, and as we will show, it does not withstand examination.

The remainder of the report is divided into two sections: in the first section we respond to specific criticisms of our work. In the second section we examine the claim that ULA has already created 10,000 union construction jobs.

.

Response to Criticisms of the Lewis Center Studies

The UCLA Lewis Center released two studies about Measure ULA: "Taxing Tomorrow" and the other "The Unintended Consequences of Measure ULA." The points made in the first bulleted section of the coalition letter (e.g. "The control group is not representative," etc.) refer primarily to the first of these studies, "Taxing Tomorrow." Arguably that study had the more notable finding: that Measure ULA, because it was impeding the sale of developable land, was also reducing building permits in Los Angeles. Fewer building permits meant less market rate housing, and — because most market rate housing in L.A. is approved using programs that require developers to include some affordable units — less affordable housing as well. Inadvertently, then, Measure ULA was giving with one hand but taking with the other: raising some money to build affordable units, but also taxing some other affordable units out of existence. The report found, in fact, that when ULA taxes recently completed housing developments, the tax probably prevents more affordable units from being developed than the resulting revenue is able to fund.

For anyone arguing that Measure ULA is essential for affordable housing production, this finding may be unwelcome. It is thus sensible, politically, that the bulk of the coalition's criticism focuses on it.

That context helps us examine the specific points the coalition letter raises. The letter states the following:

The "control" group is not representative, the permit regression analysis does not include control variables to account for changing market conditions, and the overall sample size is far too small to make reliable conclusions.

It's hard to explain this criticism — and why it is wrong — without first summarizing our study and its key findings.

"Taxing Tomorrow" uses data on real estate parcel transactions and building permits to assess Measure ULA's effects on multifamily housing production. As a first step, the study estimates ULA's effect on the sale of parcels zoned for high-density multifamily redevelopment. It does so by comparing the change in the relative volume of parcel sales in L.A. above ULA's $5 million threshold to the change in parcels below that threshold in the city, and to the change in transaction volume in other jurisdictions in L.A. County: unincorporated Los Angeles County, Burbank, Glendale, Inglewood, Lancaster, Long Beach, Pasadena, Pomona, Santa Clarita, and Whittier. (It is these latter jurisdictions that are the control group).

This research design — where we compare changes in Los Angeles before and after the transfer tax to changes in similar places before and after — is called a "difference in differences" approach, and for more than 20 years has been a standard way for researchers to estimate causal policy effects. The advantage of a difference in differences lies in the ability to isolate the impacts of a policy like Measure ULA, and separate out the influence of other place- and time-based factors (e.g., rising interest rates, macroeconomic downturns, and so on).

The results of our analysis are precise and show economically large effects: They indicate that ULA reduced the sale of parcels with greater likelihood of being redeveloped into apartments by 50%. The results are so large, in fact, that one doesn't even need the regression to see them (although it's important that the regression confirms them): the decline is strikingly visible in graphs of the raw data.

Since obtaining developable land is a nearly universal precursor to producing multifamily housing, we view this analysis alone as highly credible evidence that ULA is curtailing apartment production. It would be surprising, in other words, if the sale of multifamily-zoned parcels plunged this much and *didn't* lead to less multifamily development.

Our next step in the research is to directly connect these reduced parcel sales to reduced multifamily housing production. We do so by estimating how the trend in multifamily building permits changed in Los Angeles before and after ULA. Permit data, unfortunately, are not readily accessible across county municipalities (unlike transactions, permitting data aren't recorded by a common county entity), so in this portion of the research we do not use a difference-in-differences analysis. We instead compare building permits associated with the transacted parcels before and after ULA's adoption. What we see is that after ULA, fewer total units are permitted on these parcels. The change in permitting trends indicates that ULA has resulted in the loss of over 1,700 new market rate apartments and nearly 170 income-restricted units built by developers without public subsidies annually.

This reduction in permitting is plausibly driven by the fact that ULA's tax falls on the sale of recently completed projects, and diminishes their economic feasibility. From here "Taxing Tomorrow" shows not just that Measure ULA should be reformed, but that the reform could be close to painless. Only 8% of ULA revenues have come from the sale of multifamily projects built in the previous 15 years, and 5% from the sale of newer commercial/industrial buildings. The small amount of revenue raised from newer multifamily projects can subsidize only about 70 affordable units built by nonprofit developers, meaning that the tax on new multifamily projects specifically is reducing net affordable housing production by at least 100 units per year, assuming Measure ULA money is subsidizing new development at the rate of other city affordable housing sources. That's not good, but because so many of the problems caused by ULA are arising from such a small share of its transaction revenue, it also means that exempting these recent transactions will plausibly eliminate many of ULA's unintended costs while retaining the overwhelming majority of its benefits.

Having recapped our research, let's turn to the specific criticisms. The first criticism is that the control group is "not representative." No reason is given to support this criticism, and no alternative control group is suggested. From our perspective the control group is reasonable. The cities in the control are located in different parts of Los Angeles County, they are home to 1.8 million residents, and perhaps most important they are responsible for the bulk of the county's multifamily permitting that occurs outside the city of L.A. From 2016–2022, these cities were responsible for over 60% of the permitted units in projects with five or more units outside the city of Los Angeles. Our control group excludes cities that have few parcels zoned for multifamily housing, and it also excludes cities (such as Santa Monica) that also adopted higher transfer taxes during the study period.

The coalition's second criticism is that we don't include control variables to account for changing market conditions in our permit regression analysis. As we discuss above, the difference-in-differences analysis implicitly controls for such factors. And while the before-and-after permit analysis does not include explicit controls, we base our interpretation of its output on the difference-in-difference coefficients. Moreover, as we discuss extensively in the report, our recognition of the limited data we have for the permit analysis leads us to consistently make conservative assumptions when we carry it out. These decisions, we believe, compensate for the lack of any explicit controls.

The third criticism is that the permit analysis's sample size is too small to make reliable conclusions. As empirical researchers, we always prefer larger samples when they are available, but there is no universal rule for what constitutes a valid sample size. The permit analysis does have a small sample (N=45 unique projects comprising 3,213 apartment units), particularly compared to our parcel sale analysis, which examines over 9,000 transactions. However, since statistically significant regression estimates are partially a function of sample size, it is telling that our findings are statistically significant despite the small number of observations.

The coalition's final criticism is about the length of the pre-ULA and post-ULA time periods in our analysis. Our work, the coalition says, uses an "[i]nsufficient and asymmetrical time period for comparison: 1 quarter of pre-ULA transactions (Q3 2020–Q1 2023) and only 7 quarters of post-ULA transactions (Q2 2023–Q4 2024)." This criticism appears, in part, to be an arithmetic error or typo. We do indeed use data from Q3 2020 through Q1 2023 for our pre-ULA time period, but that's 11 quarters, not one. Our analysis has nearly three years of pre-policy data and nearly two years of post-policy data. This is not unusual, and neither is the asymmetry of the pre- and post-periods. We are aware of no reason why either of these would be problematic, and the coalition offers no reason either.

Now, suppose what we've written above just isn't convincing. You, the skeptical reader, want to see a study where the sample size is larger, the control group is all of LA County, and where a wider array of control variables get employed. You're in luck. That's what the second Lewis Center study does (remember: there's two!). If "Taxing Tomorrow" were as off-base as its critics

suggest, the analyses in this second study should reveal starkly different patterns than those in "Taxing Tomorrow." But that's not the case. "The Unintended Consequences of Measure ULA" shows a roughly 50% drop in property sales above the ULA tax threshold, and further shows that this reduction was concentrated among the types of properties most likely to be used for multifamily development (commercial, industrial and multifamily residential land). These findings, moreover, are mirrored in a third paper from economists at Harvard and UC Irvine. Every rigorous examination of Measure ULA finds that it reduces the volume of real estate transactions, and particularly the sort of transactions that precede development.

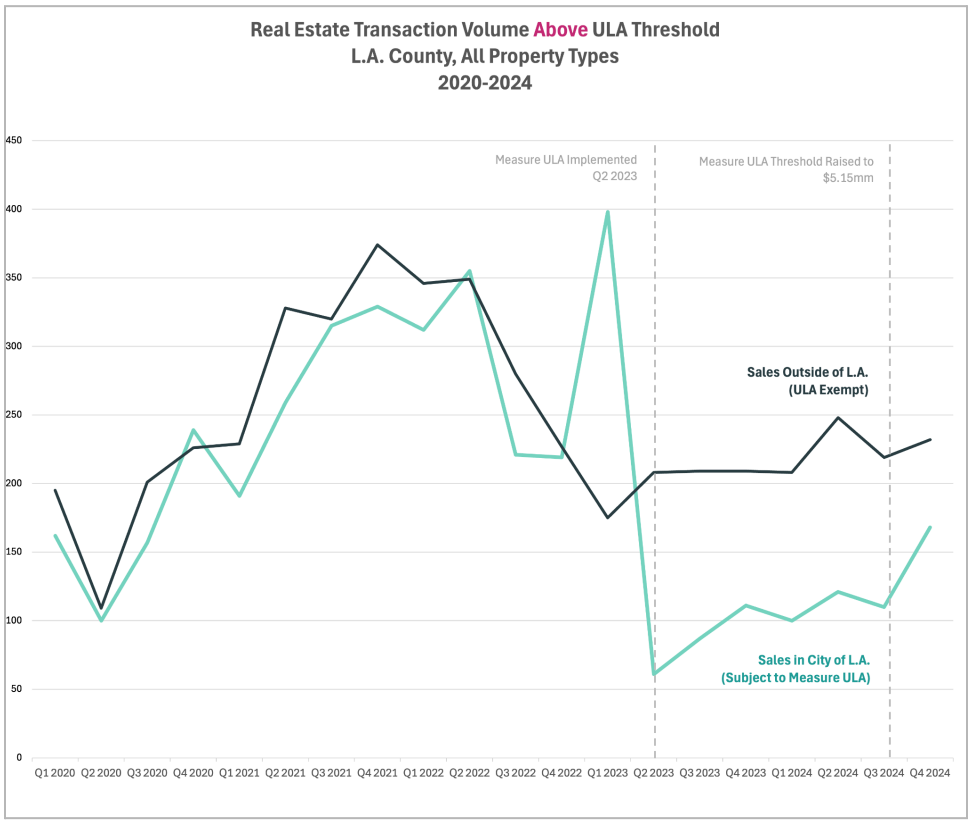
Moving on to the letter's next points:

ULA Transactions are on a "rapid upward trend after the irregularities of its first two years"
We believe this statement refers to the pattern we see in the right-hand tail of the graph in Figure 1 below, which appears in the second Lewis Center report. It indeed shows ULA transactions trending up, not just absolutely but (between Q3 and Q4 2024) relative to transactions in control cities.

Importantly, it is the latter comparison, the trend between the two lines, that matters. For the argument at hand, it doesn't matter that Measure ULA transactions are going up over time. Trends can rise and fall for many reasons. For example, we suspect the coalition would (rightly) call foul if we just showed a graph of L.A. transactions falling absolutely after ULA was passed, and said that ULA was responsible. Real estate transactions everywhere were trending downward in 2023, in large part because of interest rates. Avoiding such confounds is why we focus on the difference in differences. If we want to know if ULA is pushing transactions up or down, we need to ask if L.A. transactions are going up *relative to the control group*, rather than whether they are going up in an absolute sense. Visually, this would appear as the two lines in the chart moving towards convergence. Put another way, our argument has never been that Measure ULA will put Los Angeles transactions in a permanent state of absolute decline. It is that ULA makes transactions in L.A. *lower than they would have been* in its absence.

Figure 1.

Real estate transaction volume above ULA threshold in L.A. County for all property types from 2020-2024



With that in mind, one could look at Figure 1 and, by extrapolating out, imagine the two lines converging, such that any difference between Los Angeles and its neighbors would soon be erased — or even that sales in L.A. would start exceeding those elsewhere. But one probably *shouldn't* engage in such a speculative exercise. Yes, there was an uptick in transactions between October and December 2024. But one of the oldest dicta in statistics is that two data points don't make a trend.

Of course one could ignore this dictum, and argue that in this case two data points *do* make a trend. But anyone doing so ought to have a reason for making that case, and in this case the reason should also explain why, if two data points do matter, seven data points don't. The coalition has already suggested, remember, that a "post-" time period that covers most of 2023 and all of 2024 is statistically invalid (an "insufficient" time period). So it's a bit discordant to simultaneously claim that just *one* quarter of 2024 would contain enough information to form inferences.

The point, in any event, is moot. In the time since we published our reports the data for the beginning of 2025 have been released, and they show that L.A.'s relative transaction increase

was short-lived. We show a revised graph in Figure 2 below. In Q1 2025 sales in Los Angeles fell; in Q2 they ticked back up, but stayed well below the level of similar sales outside L.A., and the two lines no longer appear on track to converge. To the extent there was a "rapid upward trend" at some point, it no longer seems present.[2]

Figure 2.

Real Estate Transaction Volume Above ULA Threshold, L.A. County, All Property Types, Q1 2020–Q2 2025.

Source: Assessor sales data from Commonwealth Land Title Insurance Company.

An additional point, however, is worth noting here. If you start at the absolute low point of Measure ULA's transaction volume (Q2 2023), ULA transactions are indeed trending up, albeit slowly and haltingly. Some of that upward trend is probably just recovery from the artificial trough created by the rush to sell before ULA was enacted, but a modest upward slope is

[2] Does this mean L.A. transactions will never trend sharply upward again? No. Two data points don't make a trend. Also: Could someone argue that ULA is on a "rapid upward trend" because it is collecting more revenue, rather than seeing more transactions? Sure. But that's changing the subject. Our argument is that ULA is reducing the number of transactions, not that it is raising insufficient revenue. Our reports do mention that ULA has raised less revenue than anticipated, but we mention that only because a revenue shortfall can be a symptom of fewer transactions occurring. Low revenue is not synonymous with fewer transactions, and rising revenue doesn't automatically imply more transactions. If the quantity of transactions falls but the average price of transactions rises, total revenue can increase even as transactions decline. We are concerned with transactions, so we measure transactions, and they are not on a rapid upward trend.

present. Suppose we look at this and decide to be optimistic, and we predict that the two lines would eventually converge. Would that erase the problems documented in "Taxing Tomorrow"?

It would not. As we discuss in both reports, Measure ULA likely discourages any sort of transaction above its threshold. But it *particularly* discourages sales to developers, because the developers, at the time of purchase, will have to internalize the tax burden they will face when they sell a completed property. Put simply, Measure ULA will make it harder to sell a $6 million parcel with a commercial building on it. But even if that parcel is sold, Measure ULA will make it more likely that the buyer is someone intending to operate the existing commercial building, rather than someone intending to redevelop it into housing or another newer use. For this reason, Measure ULA could be impeding housing production even if the two transaction trend lines eventually converge.

New Development Has Increased in Santa Monica and San Francisco, Showing that the Lewis Center Reports are Wrong and Premature

The ULA coalition's argument here is simple: our reports suggest that transfer taxes have reduced development in Los Angeles. But both Santa Monica and San Francisco also have transfer taxes, and development in those places has increased. Our reports must therefore be incorrect, and the situation in L.A. is fine.

For this reasoning to hold, two things must be true. First, Santa Monica and San Francisco must be good controls for Los Angeles (i.e., conditions in these places must be similar enough to those in L.A. that if something happens in these places, we can be confident something similar will happen in L.A.). Second, it must actually be the case that development in Santa Monica and San Francisco rose after their transfer taxes went into effect.

Neither of those things is true.

We'll examine Santa Monica first. Is Santa Monica a valid control for Los Angeles? Santa Monica is L.A.'s immediate neighbor, but the city differs from Los Angeles in many ways. It is small absolutely (fewer than 100,000 people) and small relative to L.A. (it has about 3% of L.A.'s population). Unlike L.A., it has a consistently mild climate, because no point in Santa Monica is more than a few miles from the ocean. Its demographics also don't much resemble L.A.'s.

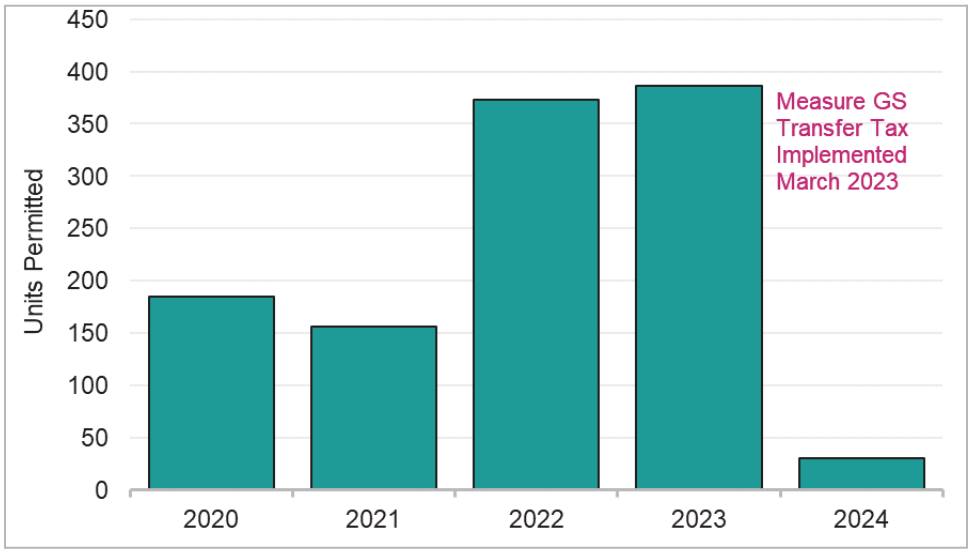
These differences don't automatically invalidate comparisons between Los Angeles and Santa Monica, but they should give us pause. Note too that in pointing to Santa Monica as evidence, the coalition's critique starts to become internally inconsistent. One of the arguments it made above, after all, was that "Taxing Tomorrow" was flawed because of its "unrepresentative" control group. The coalition in that case was contending that Long Beach, Pasadena, Glendale and six other cities *combined* didn't add up to a valid comparison with Los Angeles. Here, however, it implies that Santa Monica by itself — a single coastal city of 8 square miles — can

offer a like-for-like comparison with L.A.'s 470 square miles and millions of people. It's hard to see how both those points can be true.

We can, however, set that aside for the moment. The coalition argues that Santa Monica's experience disproves the Lewis Center's research because development activity in Santa Monica increased after the city enacted its transfer tax (Measure GS) in March 2023. The main problem with this argument is that development activity *didn't* increase in Santa Monica after Measure GS. In fact the opposite occurred.

We can use two different sources to examine permitting activity in Santa Monica. The two aren't entirely consistent with each other, but for our purposes they tell the same story. The first source is the city's own website,[3] where Santa Monica records all projects of three units or more. We show these data in Figure 3 below. Measure GS went into effect on March 1, 2023. Between 2022 and 2023, Santa Monica's multifamily permitting increased slightly, by about 3.5%. In 2024, the first full year of Measure GS, permitting fell 92%, from almost 400 units to 30. (Of those 30 units, moreover, eight are in a publicly subsidized building and the remaining 22 are condos — in other words, all are likely exempt from the new tax).

Figure 3.
Total Multifamily (3+) Units Permitted, Santa Monica, 2020–2024 (City Data)



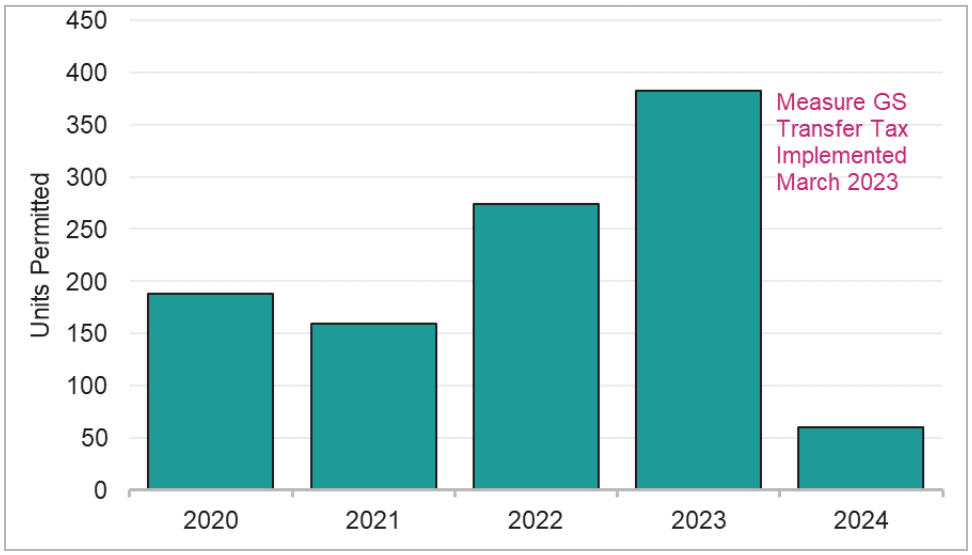
Source: City of Santa Monica, Open Data Construction Report

Our second data source is the online dashboard of the California Department of Housing and Community Development (HCD), which we show in Figure 4. The numbers here are different

[3] Specifically, the City of Santa Monica's Housing Progress Dashboard, its Building Permit Document Archive

largely because of reporting differences.[4] We still see, however, that in the first full year of Measure GS, permitting fell dramatically, in this case by 84%. Neither of these sources offers a strong case for the transfer tax increasing development.

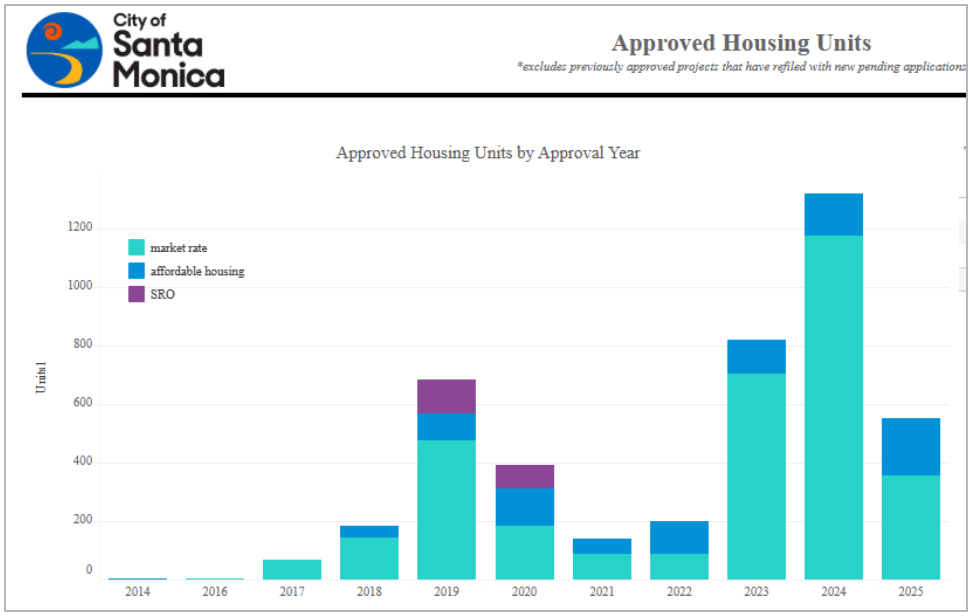
Figure 4.
Total Multifamily (3+) Units Permitted, Santa Monica, 2020–2024 (HCD Data)



If development fell after Measure GS, why would anyone say otherwise? We are unsure, but it's possible to mistake *development approvals* for *building permits*. If you go to Santa Monica's webpage and search for "approved housing units" you will find a chart (we reproduce it below as Figure 5) that seems to vindicate Measure GS. The city approved many more housing units in 2023 than it had in 2022, and many more in 2024 than it did in 2023. Indeed, 2024 was the city's biggest year for housing approvals in a decade.

[4] There's no need to go into detail about this, but HCD has different cutoffs for when a year's permits can be reported, and HCD numbers, once entered, are not adjusted going forward. For example, if Santa Monica issued permits that were later revised, withdrawn or expired, the local count in Santa Monica would reflect those changes, but HCD's dashboard would probably not.

Figure 5.
Reproduction of Santa Monica's "Approved Housing Units" webpage



Alas, approvals and permits are very different, and it is permits, not approvals, that are the commonly accepted indicator of actual development. An "approval" (also called an "entitlement") means the city has granted the developer legal permission to apply for a building permit at some point in the future. When a project is "permitted," in contrast, it means the developer has taken that next step and pulled a building permit; this typically only happens when the developer has secured funding and is about to start construction. It is very common for owners to get approvals and never pull permits, especially in places where development tends to be harder and the economics at any given time may not pencil. For that reason, people tracking development track permits.

Even if we *did* want to use approvals as a metric of development (and to be clear, we shouldn't), we would only be inviting another problem. For reasons we've discussed, Santa Monica is, in any circumstance, a questionable basis for comparison with Los Angeles. If we choose to focus on development approvals, it becomes a completely inappropriate basis for comparison. Santa Monica's approvals spiked for reasons totally unrelated to Measure GS, and reasons that are not mirrored in L.A.

In 2022, California ruled that Santa Monica's Housing Element was out of compliance with state law. This ruling opened the city, under California Senate Bill 330, to what's called the "builder's remedy." Under the builder's remedy, Santa Monica's local zoning was almost entirely suspended. When that happened, a number of developers immediately filed applications with the city. These initial building applications (for over 4,000 units) were filed in 2022, but when the city came back into compliance with state law later that year, the city negotiated with a number

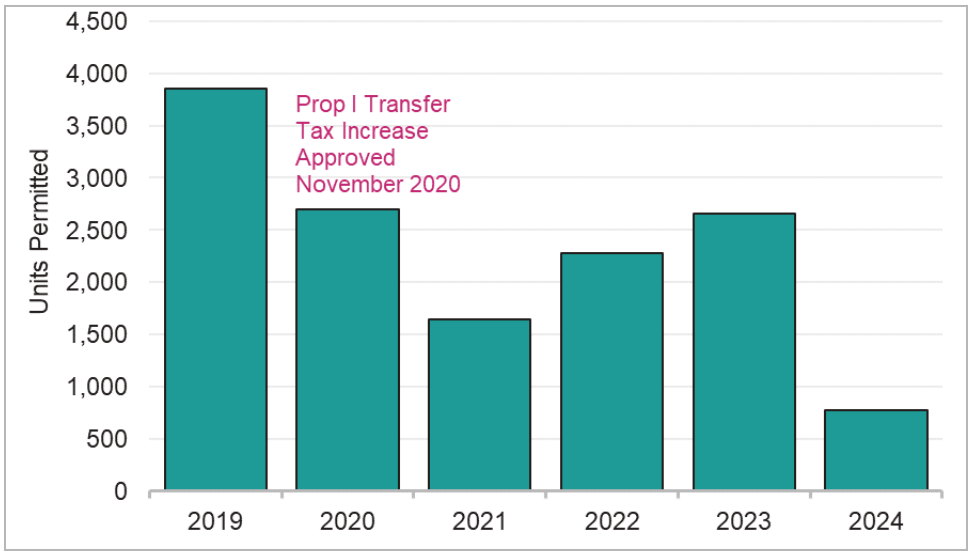
of these developers, and the developers agreed to reapply in 2023. Over the next two years, the city gradually moved these projects through its approval pipeline. These builder's remedy projects account for a large share of the approvals we see in 2023 and 2024. But again: none have been permitted.

Putting it all together: Santa Monica is a small coastal city whose zoning was completely suspended at the same time it began levying its transfer tax. Los Angeles is a very large city whose zoning was not suspended. If you use an inappropriate metric (approvals) it looks like housing development rose after Measure GS, but approvals aren't development, and the spike in approvals is largely an artifact of the suspended zoning. If you use a better metric (permits), what you see in Santa Monica is completely consistent with what is posited in "Taxing Tomorrow": a dramatic slowdown in development activity. The best that can be said about Santa Monica is that it doesn't prove anything about Los Angeles, or about the Lewis Center studies. A more accurate assessment is that Santa Monica's experience reinforces the conclusions of our studies.

What about San Francisco? We'll start by commenting, again, about internal inconsistency. The coalition has suggested that there is nothing to be learned from comparing Los Angeles with 10 cities surrounding it, whose cumulative population is 1.8 million. Here, however, it implies that the experience of a single city of 800,000 in a completely different real estate market is somehow dispositive. Using San Francisco as a comparison is all the more questionable, moreover, because the transfer tax San Francisco approved in late 2020 was quite different from Measure ULA. Both ULA and GS imposed progressive transfer taxes in places that previously lacked them. San Francisco's Proposition I, in contrast, merely adjusted some of the rates for an existing progressive transfer tax — one that was first approved in 2008, then increased in 2010 and again in 2016. The adjustments it made, furthermore, affected very few transactions: Proposition I doubled the tax rate for sales of over $10 million.

The main issue with the coalition's statement, however, is that it is incorrect. Development in San Francisco didn't increase after it enacted its transfer tax. Proposition I was approved in late 2020. A look at building permit activity since 2019 (Figure 6) shows that permitting dropped notably between 2019 and 2020, dropped again from 2020 to 2021, and has been at best uneven from 2021 forward. Does this automatically mean the transfer tax reduced permitting? Of course not. The tax affected very few transactions, and lots of things were going on during those years. But there certainly isn't evidence that permitting in San Francisco *rose*, and there is definitely nothing in San Francisco that proves ULA didn't deter development in Los Angeles.

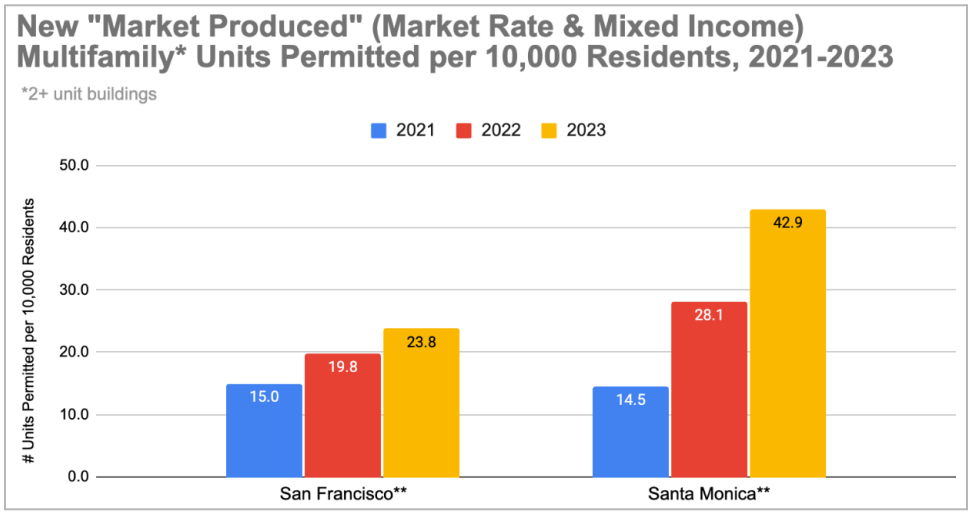
Figure 6.
Multifamily (10+) Units Permitted in San Francisco, 2019–2024 (HCD Data)



Source: California HCD, Housing Progress Reports

For people familiar with the coalition's criticisms, this might seem surprising. An earlier version of the coalition opposition letter contained a graph, compiled using HCD data, that appeared to show building permits in Santa Monica and San Francisco rising during their transfer tax eras. We reproduce that graph below, as Figure 7.

Figure 7.
Reproduction of Graph from April 7 Coalition Letter



What gives? Some of the difference between this graph and our own might owe to the coalition's measuring building permits per 10,000 people, rather than just building permits. That means the bars in the graph can grow if permitting rises *or* if population falls. Population did fall in both

places during this time, albeit not by much. Some of the difference might also owe to slight changes in the type of building permits examined (permits for projects of two or more, or three or more, or 10 or more units, for instance). But the impact of that decision is also likely small.

The real issue is the choice of years. If you look carefully, you see that the coalition's graph doesn't provide a true before-and-after comparison for either city. San Francisco enacted Proposition I in 2020, and Santa Monica enacted Measure GS in 2023. So the figure includes no "before" data for San Francisco, and no "after" data for Santa Monica. It thus conveniently omits San Francisco's drop in permitting from 2019 to 2020, and from 2020 to 2021, and it also omits Santa Monica's plunge in permitting from 2023 to 2024. Our graphs above provide a complete picture (both before and after) for each city, and with a complete picture the decline in permitting is quite evident.

Summary: Part I

Any study can be improved, and as more data become available we plan to augment our analyses of Measure ULA. One goal, for instance, is to build on "Taxing Tomorrow" by assembling a dataset of building permits from other LA County jurisdictions, in order to estimate formal difference-in-differences regressions for building permits.

But the fact that more work could be done isn't reason to discount the work that has been done already. The evidence presented in "Taxing Tomorrow" is strong, methodologically transparent, and entirely consistent with a large body of empirical research (virtually every study of "cliff-style" transfer taxes has findings similar to those of the Lewis Center's work). The argument we advance is also consistent with basic economic theory and common sense. If you accept that developers need to buy land in order to build multifamily housing, and accept that only a small fraction of land is zoned to allow multifamily housing, then it isn't a huge leap to imagine that a tax that steeply reduces sales of that land would also reduce development.

The coalition has argued that this isn't the case, and that our work is flawed. It has done so by saying we only examine one quarter of data before Measure ULA (we actually measure 11); that our pre- and post-time periods aren't symmetric (that doesn't matter); that we don't control for other factors (we do); that ULA transactions are rapidly trending up (they are, but very slowly, and aren't currently on track to converge); and that development has increased in Santa Monica and San Francisco (it hasn't).

The coalition letter also says that our analyses are "premature" and that ULA shouldn't be analyzed so soon. But two years hardly seems like rushing, and notably the coalition never says when ULA *should* be analyzed. We are reminded of an old joke from Washington, D.C. Ask a defense contractor what stage his project is at, and he'll give one of two answers: too early to tell, or too late to stop. We should be wary when every time is the wrong time to examine a policy, and no time seems to be right.

Has Measure ULA Created 10,000 Union Construction Jobs?

No.

Or at least: we can't arrive at that conclusion using any conventional method.

Determining the employment effects of public projects isn't easy. Because many different assumptions are involved, even good-faith attempts at doing so are prone to error. That's why, in what follows, we're going to show our work and explain our data and assumptions. With that said, let's examine the claim a few different ways.

A Bird's Eye View: 10,000 Jobs in Perspective

The idea that Measure ULA has created 10,000 union construction jobs should raise eyebrows. Ten thousand jobs is a *lot* of employment. As context, consider that in 2024 the California High Speed Rail (CA HSR) Authority issued a press release saying it had created 13,000 union construction jobs, in total, since 2015. Keep in mind that HSR is a politically embattled enterprise with strong incentives to err on the high side when it comes to claims about job creation. And while no one can determine exactly how much money HSR has spent on construction (that's one reason it's politically embattled), a conservative estimate is $4 billion dollars.[5] Measure ULA, meanwhile, has raised just over $660 million in total, and had spent only $69 million by the end of the first quarter of 2025. Most of that spending, moreover, was *not* on construction, but on tenant assistance. Only about $900,000 had been spent on construction projects.[6]

Putting this together: if the coalition number is correct, Measure ULA has, by spending just over $900,000 in a single city in a little over a year, created almost as many jobs as CA High Speed

[5] Estimates of HSR spending vary. Most agree that HSR has committed all of the state funding it has received, and most of the federal funding. This totals somewhere between $12–15 billion. What's less clear, however, is how much of the money committed has been spent, and how much of the spending has been on construction, as opposed to land acquisition, permitting, lawsuits, consultants, and so forth. No one seems to know. One recent estimate puts spending close to $16 billion. We thus think $4 billion is a low-end estimate, but even if we cut that in half it's well more than Measure ULA has even raised.

[6] As we discuss below, as of Q1 2025 Measure ULA had committed about $54 million to construction, but not spent the vast majority of it.

Rail, which has spent over $4 billion across seven counties in 11 years.[7] While that may not be impossible, it does seem implausible.[8]

Here's another way to consider the 10,000 jobs figure: if it's true, what share of total construction employment would Measure ULA be responsible for? The California Employment Development Department (EDD) reports that in 2024 there were 150,000 private construction jobs in L.A. County, of which 23,300 were in residential building construction. If we take that number seriously, the coalition letter implies that ULA, which didn't really start spending money until 2024, was responsible, by itself, for 7% of all of the county's construction employment that year, and upwards of 50% of its residential building construction employment. This, too, sounds implausible.

A defender of the ULA number could argue, however, that using the EDD is inappropriate. The EDD counts workers by matching their job to a government code, and many people who work on construction sites may not be classified, in this code, as construction workers. They might mix cement, paint walls, or be electricians. As a result, the number of people who work in residential construction might be larger than the 23,300 people the EDD records as "residential construction workers." If that's the case, then the denominator is actually larger, and the fraction of employment accounted for by ULA might not look so unrealistic. On the other hand, the EDD numbers give us *total* construction jobs, and the coalition letter says that ULA has created *union* construction jobs. Most construction jobs aren't covered by union agreements (as we show below), and that could push the relevant denominator back down.

We can get better numbers by using the Census Bureau's Current Population Survey (CPS) rather than the EDD. Where the EDD conducts an employment survey — it looks at job sites in Los Angeles County and matches the jobs at that site to government codes — the Census Bureau creates the CPS data by surveying households. It contacts people who live in L.A. or Orange County and then classifies people into occupations by asking them what they do. This helps avoid the government code problem. An electrician or plasterer who works for a construction firm and/or spends most of their time at construction job sites is likely, in the CPS, to say they work in construction.

---

[7] One could counter that the CA HSR numbers are off-base. That's possible—it's HSR, after all. They also said the train would be done by now. For the ULA number to look sensible, however, the HSR numbers would need to be too *low*. That seems unlikely. The rail authority, for its entire existence, has been wildly overoptimistic about everything it does. It would be unusual if, when it came to estimating employment, it was suddenly prone to pessimism and underestimation.

[8] Another example: in August 2025 the Los Angeles and Orange County Building Trades Union announced that over 10,000 union workers had been constructing OCVibe, a $4 billion project in Anaheim that broke ground in 2023. OCVibe features 1,500 units of housing, 520 hotel rooms, a million square feet of office space, and a concert amphitheater. As we will discuss below, one union worker is not the equivalent of one union-covered full-time job (a worker might be on-site for a month, for example). So if this two-year old, $4 billion project is using 10,000 workers, it again seems unlikely that ULA has already, within a year and spending far less, created 10,000 jobs.

The CPS gives a very different number of construction workers than the EDD: it says that in 2024, in the Los Angeles-Anaheim metropolitan area (L.A. and Orange counties combined) there were 528,000 construction workers. This number is higher than the EDD estimate in part because the CPS includes people who work in construction but aren't technically construction workers, and in part because it adds in Orange County.[9] The CPS number may also be higher because, as a household survey, it counts people who live in Los Angeles and Orange counties but work outside them (e.g., a plasterer who lives in Anaheim and works in Riverside).

The CPS is also, to our knowledge, the only reliable source of data about sector-level union coverage. A group of researchers at the University of Georgia has long used CPS data to run unionstats.com, a database that tracks the extent of unionization across the U.S. Unionstats shows that in 2024, 11% of construction workers in the Los Angeles metro area were union members, and that 13% of construction jobs in the metropolitan area were covered by a union contract.[10]

These numbers allow us to estimate total unionized construction employment in L.A. County. Let's first assume, generously, that every respondent to the CPS who says they have a union covered job works in L.A. or Orange County. That means that across the metropolitan area there are 68,600 construction jobs covered by a union contract (13% of 528,000). Now let's say that L.A. County's share of that employment matches its share of the MSA population (75%). This gives us 51,000 union-covered construction jobs in L.A. County in 2024. Which would mean that Measure ULA is, by itself, accounting for almost 20% of the county's unionized construction work.

That prospect seems unlikely, and we should reiterate that we're being generous here. We've ignored the possibility that some people who live in the metropolitan area work outside it, and we've also chosen to ignore the generally accepted fact that unionization in construction work tends to be higher in non-residential than residential projects. (Someone working on high-speed rail, for instance, is more likely to be covered by a union than someone building housing). In 2022, the director of the California Carpenters Union spoke directly to this issue when he told the *New York Times* that California had approximately 330,000 residential construction workers, and that only 5–10% of them were unionized. If that estimate is roughly right, then the entire state would have, in a given year, about 33,000 unionized residential construction workers, and a slightly higher number of residential construction jobs covered by a union contract. Measure ULA would in this case account for upwards of a third of all the unionized construction work in the entire state. If this were true, it would make ULA an employment powerhouse. But the more likely explanation is that it isn't true.

---

[9] The EDD shows 105,000 total construction workers in Orange County in 2024.

[10] A "union job" refers to a job where the employee is a union member, and the union negotiates on his or her behalf. A "union-covered job" is one where wages and working arrangements are governed by a collective bargaining agreement negotiated with a union, regardless of whether an employee is a dues-paying union member.

The upshot: even without knowing anything about Measure ULA, anyone thinking about the 10,000 jobs number should, at least initially, find it pretty surprising.

Could the Measure ULA Housing Projects Support 10,000 Jobs?

The fact that something initially seems unlikely doesn't mean it isn't happening. Our ability to drill down and investigate the 10,000 job claim further, however, is impeded by the fact that the coalition letter provides no evidence or reasoning to support it. It's just an assertion. That said, a similar claim also appears in a celebratory press release issued by Measure ULA's Citizen Oversight Committee in April. Does the press release offer any explanation of where this number came from? It does not. The press release does, however, have an infographic showing nine affordable housing projects, totaling 795 units of housing, that it says ULA funding has built. Since these projects are the only construction ULA is involved with, presumably this is where the 10,000 union construction jobs have come from.

Could these nine projects generate 10,000 union construction jobs? Table 1 shows the projects, and provides details about their size, cost, and status as of early 2025.

Table 1.
Attributes of ULA-Assisted Affordable Housing Projects

Project Name	Units	Construction Started?	Year Permit Issued	Total Development Cost ($1000s)	ULA Contribution ($1000s)	ULA Share	Measure HHH Funding?
Rousseau Residences*	52	Yes	2022	28,259	424	2%	Yes
Montesquieu Manor*	53	Yes	2022	31,023	609	2%	Yes
Voltaire Villas*	72	Yes	2022	37,864	1,000	3%	Yes
Santa Monica & Vermont Apartments	187	Yes	2022	125,504	2,526	2%	Yes
Alveare Family Apartments	105	No	N/A	72,296	10,560	15%	No
Peak Plaza	104	No	N/A	78,157	10,080	13%	No
The Main	64	Yes	2024	59,264	7,812	13%	Yes
Chavez Gardens	110	No	N/A	90,037	15,000	17%	Yes
Grace Villas	48	No	N/A	46,904	6,270	13%	No
Total/Average	**795**			**569,308**	**$54,281**	**10%**	

Sources: Building and approval documents, City of Los Angeles. "Permit" = building permit.
**These developments are three different phases of the one project. All their units are modular, constructed off-site by non-union labor.*

Right off the bat we see some problems. First, in four of these nine projects, construction hadn't started as of Q1 2025. No construction, of course, means no construction jobs. In another four projects construction had begun, but it began in 2022 — before Measure ULA even existed. That makes it hard to fully credit Measure ULA with any jobs associated with those projects.

Moving further to the right in the table, a still larger problem becomes evident: it isn't really accurate to say that Measure ULA is "building" these projects. Measure ULA revenue, in all these

developments, plays at best a supporting role. On average, across these developments, ULA revenue contributes 10% of total development costs. There is no project where ULA is responsible for more than 17% of total costs, and in four cases it is responsible for less than 4%. The lion's share of funding for these projects comes from other sources, mostly (in six of nine cases) from Proposition HHH, the city's dedicated revenue stream for homelessness funding. That doesn't make the ULA money unimportant — closing funding gaps in other revenues sources is often a vital part of building affordable housing — but does make it difficult to say that Measure ULA (as opposed to Proposition HHH or other funds) "created" any construction jobs.

Let's be generous, however, and set all these complications aside. Let's assume that every construction job associated with any of these buildings is 100 percent attributable to ULA, regardless of how much funding ULA contributed to the building, regardless of whether the job exists yet, and regardless of whether the job existed before ULA did. We will assume, in short, that ULA is entirely responsible for all jobs associated with building these 795 units, whenever that ultimately happens.

(Note that in making this assumption, we are being not just generous but illogical. By letting Measure ULA claim 100% of the jobs associated with buildings where it provided as little as 2% of the funding, we are implying that other programs, like Proposition HHH, somehow created zero jobs despite providing up to 98% of the funding. That would make these other programs wildly *in*efficient employment generators. This is a point we will return to).

If we make this rather extraordinary assumption, can we find a reasonable path to saying Measure ULA has created 10,000 union construction jobs?

We can't. The standard approach to estimating job creation involves using an Input-Output (IO) model. IO models get their name because it takes an input (in this case a certain amount of public spending) and uses it to estimate an output (in this case construction employment). We won't go into much detail about these models, other than to note that they are extremely opaque, highly sensitive to initial assumptions, and often easily manipulated. (Have you ever seen a headline suggesting that a new taxpayer-funded sports stadium or mega-event would create a staggering number of new jobs? That was an IO model. Usually those jobs never materialize).

We found two different IO models that the building industry uses to estimate the jobs associated with constructing new housing. One is from the National Association of Home Builders (NAHB) and the other is from the Association of General Contractors (AGC). Both models let us estimate the effects of affordable housing projects specifically. Bear in mind that both these organizations are advocates for the building industry, so their models are likely calibrated to err on the high side. (It doesn't do the NAHB any good to underestimate the jobs impact of building houses).

The NAHB model is the more straightforward of the two. It says an affordable housing development generates 0.8 jobs per unit built, per year, during the period of construction. Not all of these jobs, however, are construction jobs, and the NAHB unfortunately does not fully differentiate between the construction and other employment.[11] As a result, the 0.8 ratio errs on the high side. Nevertheless, if we apply this ratio to the projects in Table 1 (i.e., multiply 52 units in row 1 by 0.8, 53 units in row 2 by 0.8, etc.) it suggests that ULA would be associated with 636 jobs per year.

The AGC model is more complicated, as it estimates "job-years" per dollar of project costs. These estimates differ by state: in California, the figure for an affordable housing project is 0.00000747 direct job-years per dollar. For a project with total development costs of $100 million, then, the model estimates the production of 747 direct job-years (a little over 7 jobs per million dollars).

If we take the AGC formula and plug in the total development costs for the ULA projects, we get an estimate of 2,132 job-years.[12] That's a big difference from the NAHB model, which should tell you something about how sensitive IO models are to assumptions. But the real point is that neither of these models yields a number anywhere near 10,000.

We should reiterate that both of these numbers are also too high. One reason they're too high is something we've already discussed: 90% of the funding for these projects comes from sources other than ULA. If we attributed construction jobs proportional to funding contributed (that is, if we assumed ULA was responsible for 10% of the jobs, since it accounts for 10% of the money), Measure ULA would be associated with somewhere between 64 and 213 construction jobs. We have already said, of course, that we would not hold ULA to this standard, however reasonable it may be.

But the numbers are too high for four additional reasons. First, even though ULA money has been committed to all the projects above, at the time the coalition wrote its letter, most of these projects did not have completed ULA funding documents. In other words, the ULA money had not actually started to flow. In fact, as of April 30, 2025, only about $900,000 of ULA funds had

[11] An IO model typically estimates "direct", "indirect" and "induced" employment. Direct employment for a building project is the work created to do the building itself—the construction work. Indirect effects include jobs created further up the supply chain, such as jobs created in a lumber yard or a forestry firm when the construction company purchases wood. Induced effects are the third-order impacts (sometimes called "multiplier" impacts) that arise when people who benefit from direct and indirect effects spend their money (e.g., the new employee of the lumber yard buys a new TV, and creates a job at Best Buy). The AGC model explicitly separates out direct effects, but the NAHB model estimates direct and indirect effects together, and estimates them at 0.8 jobs per unit (i.e., it lumps together the construction work and the lumber yard work). In using this figure, then, we are erring on the high side, and assuming (unrealistically) that ULA has only direct effects, and zero indirect effects.

[12] In other words, multiply $28 million by 0.00000747 for row 1 in Table 1, $31 million by 0.00000747 for row 2, and so on.

been spent — on a single project.[13] This amount of spending could only produce 10,000 jobs if those jobs paid an annual salary of $90.

Second, the IO models we use assume that construction workers are assembling the entire building on site. That isn't the case for three of the ULA-funded projects: 177 of the 795 units were pre-built in a non-union robotic modular factory. That translates to less construction work, and less union work.

Third and related, these models just estimate construction jobs, not *union* construction jobs. If we believe union jobs tend to pay better than non-union ones (they do), then for any given budget there are likely to be fewer jobs per dollar on a union project. The models don't account for this.

Fourth, there's an important difference between a job being *associated* with a project, and a job being *created* by a project. For a project to "create" a construction job, it must be the case that without that project, an equivalent construction job wouldn't exist elsewhere in the region. Put another way, a public project can only create a new job if it does not displace any private spending. But such displacement (also called "crowding out") is common: if a Measure ULA housing project pulls some construction workers from other projects, then not every job at the ULA site is a "new" job. Some of those jobs just represent public spending being substituted for private spending.[14] The public spending in this case *supports* a job, but doesn't create one.

Measuring crowdout isn't easy, but it's almost never zero, and its magnitude generally rises as the amount of slack in the economy falls. In the depths of a recession, when many people are unemployed and there is little economic activity, a dollar of public spending is less likely to replace private spending. When the labor market is stronger, in contrast, crowdout gets more likely; a person hired on to a taxpayer job may pass up an opportunity to work on a private job to do so. In recent years, as Figure 8 shows, Los Angeles County has been close to "full employment" — a stable rate of between 4% and 6% unemployment. At full employment, the potential for crowdout is highest. At the least, then, these models are likely overestimating the net employment effects of ULA spending.

[13] See City of Los Angeles Housing Department United to House LA Citizen Oversight Committee (CAC) Agenda, May 29, 2025, page 8.

[14] The NAHB model is somewhat lazy about this distinction (calling all the jobs associated with a project "impacts") while the AGC model is more careful (saying that a given amount of economic activity "is enough to support" a certain number of full-time jobs). The AGC model, in short, is *not* claiming that a project will actually create a job, only that it will have a certain amount of employment associated with it.

Figure 8.
Unemployment in the Los Angeles Metropolitan Area, 2018–2025

Source: Federal Reserve Economic Data (FRED), St. Louis Fed.

Recall, too, that "Taxing Tomorrow" estimates that Measure ULA reduces market rate multifamily housing development by at least 1,700 units per year. That's also a form of crowdout, and it translates to less work for both unionized and non-unionized construction workers.

To summarize: we've analyzed the nine buildings Measure ULA has contributed funding toward, and can still only muster a high estimate of ULA — at some point in the future and based on current funding awards — creating just over 2,000 unionized construction jobs. To arrive at this estimate, we've ignored the following:

- Four of the buildings haven't started construction yet.
- Another four started construction before ULA existed.
- The vast majority of funding for these projects comes from other sources, not ULA.
- At most two of these projects have actually completed their Measure ULA funding agreements with the City of L.A.
- Over 20% of the units used modular components built off-site in non-union factories.
- The possibility of crowdout, despite L.A. County's low unemployment and robust construction demand, and the fact that the ULA tax probably deters some projects.

The reality, then, is that an estimate of 2,000 jobs is likely far too high.

Where Could the 10,000 Jobs Number Have Come From?

We were sufficiently confused by the 10,000 jobs figure that we asked people in the ULA coalition how they arrived at it. We were told the following: the coalition knows that Proposition HHH has created 34 jobs for every $1 million of total development costs. They use this number

as the basis for their ULA estimates. To be conservative, the coalition revises ULA's job creation ratio down to 22 jobs per $1 million (they assume that ULA creates 65% as many jobs as HHH). If they plug this 22-jobs-per-million ratio into the total development costs of the nine ULA-funded projects, they get a figure of around 12,000 jobs, which they revise downward again, to be conservative, to arrive at 10,000 jobs.

None of this seems quite right. Let's start with the idea that a Proposition HHH project creates 34 jobs per $1 million of development cost. Recall from above that the AGC model (which has every incentive to err on the high side, and doesn't account for crowdout) estimates that a typical California affordable housing project generates just over 7 jobs per $1 million of total development cost. So the ULA coalition's starting assumption is that HHH projects generate almost five times as much employment as the typical affordable housing development. That's a big assumption. It would be hard to believe in any circumstance, but seems particularly unlikely given that Proposition HHH projects are often governed by Project Labor Agreements, which means wages on these projects are likely to be higher. Higher wages, all else equal, should mean fewer jobs per million dollars of costs, not more.

To give a sense of why the 34 jobs per $1 million ratio seems high, let's assume that all project development costs go to labor (and this is unrealistic, the actual proportion is usually around 30%).[15] In that case 34 jobs per $1 million implies an average compensation, including salary and benefits, of just under $30,000 per full-time job. That's quite low for union labor, or in fact any labor. It works out to just over $14 an hour, which is below the city of L.A.'s minimum wage.

Before we dive further into this HHH number, however, we can pause and consider a different problem it creates. Let's assume for a moment that the HHH number is correct. As we noted above, a majority of the projects the coalition counts as "funded by ULA" are *also* funded by Proposition HHH. Indeed, many of these projects are *mostly* funded by HHH.

So now we have a dilemma: are these projects simultaneously creating 34 *and* 22 jobs per million dollars of cost? We noted above that the only way to get even sort of close to the coalition's jobs estimate for ULA is by crediting the measure with *all* the employment associated with every project it funds, even if the project is mostly funded by other sources. If we do that, we need to assume, as a matter of simple math, that revenue streams like Proposition HHH create *no* jobs. But we can't do that, and not just because it makes no sense. It also runs contrary to the coalition's own implied logic.

Remember: The coalition explicitly uses the idea that HHH creates a lot of jobs as the *basis* for its estimates about ULA — the ULA number is just an adjusted version of the HHH one. As a result, one cannot believe that ULA creates 22 jobs per $1 million of total cost without also

[15] The breakdown of total development costs will vary by project, but it's not unusual for "hard costs" (materials, labor, etc) to be 50 to 70 percent of total costs, and for labor to be 40 to 50 percent of hard costs.

believing that HHH creates 34 jobs per $1 million of total cost: the first number is derived from the second. At the same time, however, it's impossible to get an even moderately high estimate of ULA employment without assuming that HHH creates no jobs at all. The reasoning, to the extent we are following it correctly, is at once circular and contradictory.

In any event it doesn't matter. Nothing suggests that Proposition HHH actually creates 34 jobs per $1 million of development cost. When we asked the coalition for documentation to support that idea, we were referred to the city's PLA database. The database allows us to see, for the city's 35 HHH projects, the total development costs and total hours of employment. (We show a screenshot of total hours for the HHH projects in Figure 9).

Figure 9.

Total Hours Worked on Proposition HHH Projects, Screenshot from PLA Database

We can use the total hours figure to calculate total employment: if we assume that a full-time job is 2,080 hours of work per year, then total employment equals total hours worked divided by

2,080.[16] This calculation gets us a figure of 1,050 full-time jobs. We can then divide this number into the sum of all the HHH projects' development costs to determine how many jobs per million dollars of total development costs Proposition HHH supports. 1,050 full-time jobs divided by $951 million of total development costs equals 1.1 jobs per $1 million. Proposition HHH, by this method, creates just over 1 job per $1 million of total development costs, not 34 jobs. If we adjust this ratio downward by the same amount that the ULA coalition adjusted the 34 job figure (i.e., if we assume that ULA creates 65% as many jobs as HHH), we would conclude that Measure ULA creates 0.65 jobs per $1 million of total development costs, not 22.

That figure (1.1 jobs) probably seems low. The AGC model above, remember, predicts that the typical affordable housing project will be associated with about 7 jobs per $1 million. What might account for the difference? In part the answer might be something we've already alluded to: IO models often aim high, and when we look at actual employment outcomes the bias in the models becomes evident. Another issue might be that even compared to a standard affordable housing project, the type of permanent supportive housing that HHH funds can be extremely expensive to build. More of the development costs might end up being spent on "soft" costs, like public outreach and legal fees. A third issue is that HHH projects, as mentioned above, pay union wages and provide union benefits.

To kick the tires on the 1.1 jobs number, let's assume the high soft costs faced by HHH projects mean that 20% of their total development costs are labor. This would suggest that every $1 million of development costs yields $200,000 for worker compensation. Now assume that, per L.A.'s PLA terms, an HHH project employs a variety of tradespeople who earn between $60 and $100 an hour (with benefits included). If for simplicity's sake we say that the average worker earns $80 an hour, then a full time job would require $166,400 of compensation (80 * 2080), which would work out to 1.2 jobs per $1 million (166 divided by 200). So perhaps 1.1 isn't far off after all.[17]

But the PLAs let us dig down further. Four of the ULA projects under construction (the first four projects listed in Table 1) are HHH projects governed by PLAs.[18] That means we can use the database to directly measure the jobs associated with them. Doing so shows that these four projects comprise 287,593 work hours, which, divided by 2,080, yields 138 jobs. Since these four projects have cumulative development costs of $222.6 million, the ratio of jobs to $1 million of

[16] 2,080 hours is the standard definition of a full-time job (it's called a Full Time Equivalent, or FTE). FTEs are particularly important for workplaces where many different people are employed either part-time, or for short periods of time. The screenshot in Figure 9, for example, shows that over 8,100 different people have worked on HHH projects. But that doesn't mean HHH created over 8,000 *full-time jobs*. An electrician may have worked two weeks on one HHH site and one week on another. He would count as a worker, but his three weeks of work would not be a full time job.
[17] One might argue that the assumptions here are off. But tweaking them in any reasonable way still won't get close to 34 jobs. For example: assume that labor is 30 percent of TDC and the average pay is $70 an hour. That gets you to 2 jobs per $1 million. As we already showed, arriving at 34 jobs per million requires assuming that all development costs are labor, and all labor earns below minimum wage.
[18] The projects are Rousseau, Montesquieu, Voltaire, and Santa Monica/Vermont.

total development costs is in fact 0.6. But the important point is that these four projects — again ignoring crowdout and so on — are associated with 138 full-time construction jobs. The ULA *share* of that $222.6 million, moreover, is only $4.6 million, or 2% of the total. It's arguably appropriate, then, if we want to estimate the number of jobs ULA was associated with at the time the coalition letter was written, to adjust the 138 number, and make it proportional to ULA's share of the funding. If we did this, we would conclude that ULA at that time had been associated with three jobs (4.6 * 0.6, or 2% of 138).

Perhaps that's being miserly. We could instead assume that all ULA funds that have been committed will eventually be spent. And we could take note of the fact that three of the projects we just examined used off-site modular construction, while the others won't. So perhaps a fairer way to estimate the jobs associated with ULA is to take the $54 million in total ULA funding and multiply it by 0.6. This exercise suggests that, not accounting for crowdout, ULA will eventually be associated with about 32 union construction jobs. If that still seems too low, we could use the HHH ratio rather than the ULA ratio, and arrive at 54 union construction jobs (again not accounting for crowdout). The point is that none of these numbers are anywhere near 10,000.

Summary: Part II

No reasonable method or data source comes even close to suggesting that Measure ULA has created 10,000 union construction jobs. Indeed, no source or method suggests that it eventually *will* do so. Our most generous estimate, using conventional high-end models of employment effects, yields an estimate of around 2,000 eventual jobs. But for reasons we have enumerated, this estimate is generous to the point of absurdity. More realistic estimates, based on actual job data from the city's PLA database, put ULA's current job creation at close to zero, and its eventual job creation (assuming all current projects get their ULA funding, get completed, and involve no crowdout) at a few dozen.

Conclusion

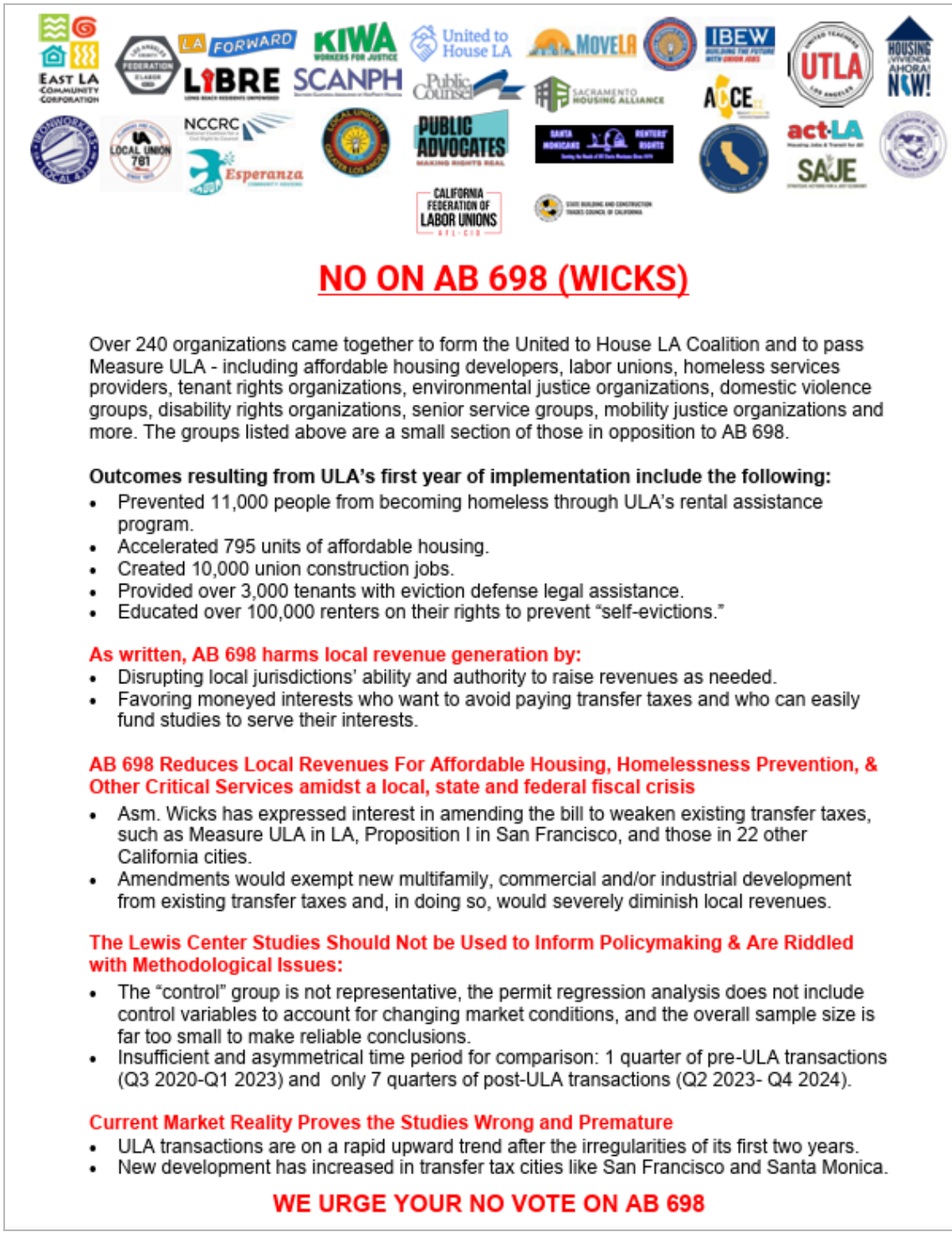
We've now written thousands of words in response to a few lines in a letter. Perhaps that seems excessive. But it is consistent with Brandolini's Law, and it illustrates the difference between analysis and assertion. It's easy to declare other work fatally flawed (and all work, again, inevitably has errors) but good policymaking requires transparency, and specific evidence for specific claims. Doing that takes time and space.

We have responded above to critiques of our work. We find no merit in claims that it is "riddled with methodological issues" and in fact show that the little evidence deployed to criticize our work is objectively false. ULA transactions are not trending rapidly upward, and development did not increase in Santa Monica nor San Francisco after those cities passed transfer taxes. We have also shown that an extraordinary assertion made by the coalition — that ULA has already created 10,000 union construction jobs — has no apparent basis in reality. Reasonable disagreement is an inevitable part of public policy, but our hope is that future debate about transfer taxes and their impacts will be carried out in a more transparent, evidence-based manner.

Appendix

Appendix A.

May 27 Letter issued by coalition of advocacy groups in opposition to AB 698



NO ON AB 698 (WICKS)

Over 240 organizations came together to form the United to House LA Coalition and to pass Measure ULA - including affordable housing developers, labor unions, homeless services providers, tenant rights organizations, environmental justice organizations, domestic violence groups, disability rights organizations, senior service groups, mobility justice organizations and more. The groups listed above are a small section of those in opposition to AB 698.

Outcomes resulting from ULA's first year of implementation include the following:

- Prevented 11,000 people from becoming homeless through ULA's rental assistance program.
- Accelerated 795 units of affordable housing.
- Created 10,000 union construction jobs.
- Provided over 3,000 tenants with eviction defense legal assistance.
- Educated over 100,000 renters on their rights to prevent "self-evictions."

As written, AB 698 harms local revenue generation by:

- Disrupting local jurisdictions' ability and authority to raise revenues as needed.
- Favoring moneyed interests who want to avoid paying transfer taxes and who can easily fund studies to serve their interests.

AB 698 Reduces Local Revenues For Affordable Housing, Homelessness Prevention, & Other Critical Services amidst a local, state and federal fiscal crisis

- Asm. Wicks has expressed interest in amending the bill to weaken existing transfer taxes, such as Measure ULA in LA, Proposition I in San Francisco, and those in 22 other California cities.
- Amendments would exempt new multifamily, commercial and/or industrial development from existing transfer taxes and, in doing so, would severely diminish local revenues.

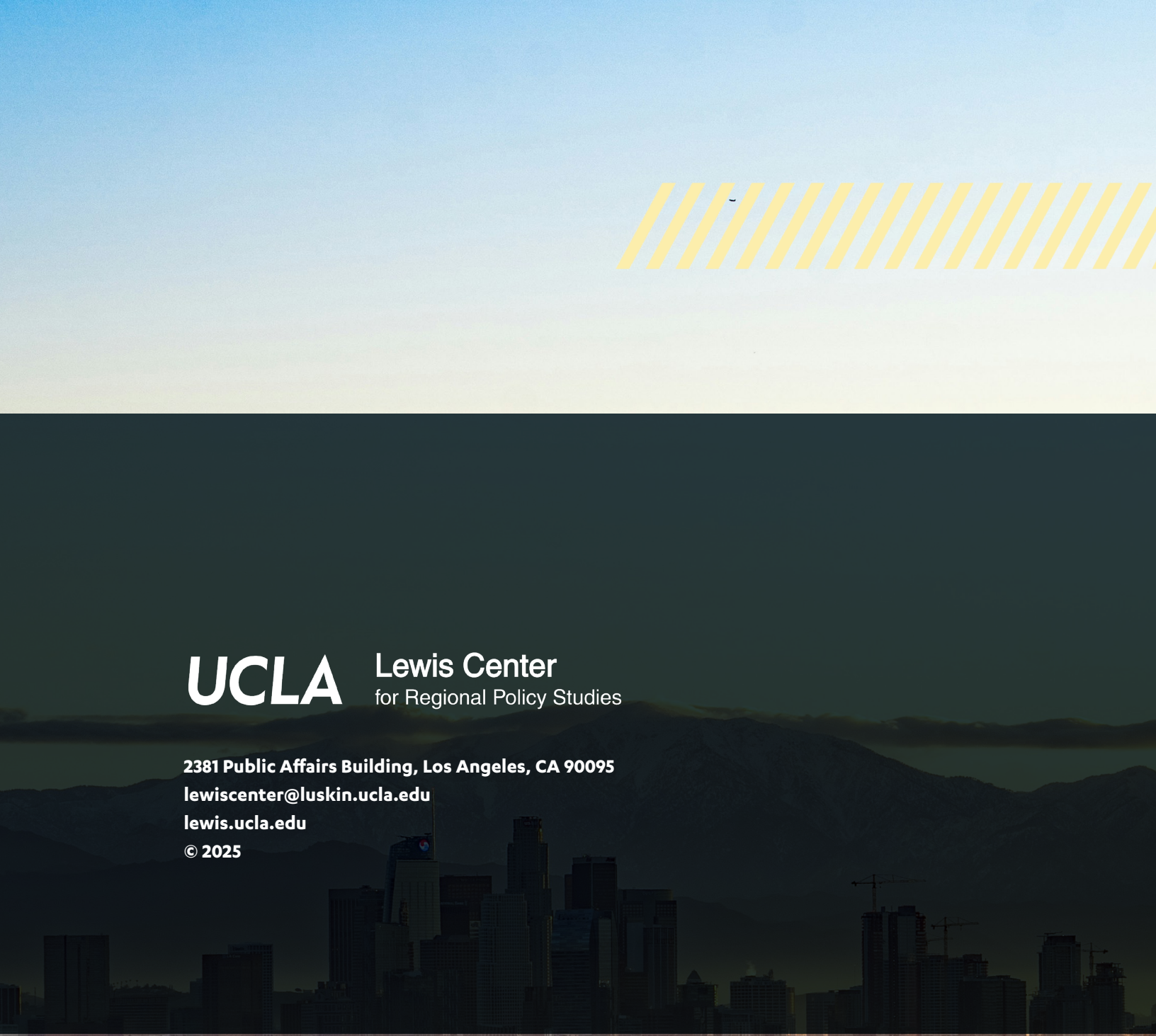
The Lewis Center Studies Should Not be Used to Inform Policymaking & Are Riddled with Methodological Issues:

- The "control" group is not representative, the permit regression analysis does not include control variables to account for changing market conditions, and the overall sample size is far too small to make reliable conclusions.
- Insufficient and asymmetrical time period for comparison: 1 quarter of pre-ULA transactions (Q3 2020-Q1 2023) and only 7 quarters of post-ULA transactions (Q2 2023- Q4 2024).

Current Market Reality Proves the Studies Wrong and Premature

- ULA transactions are on a rapid upward trend after the irregularities of its first two years.
- New development has increased in transfer tax cities like San Francisco and Santa Monica.

WE URGE YOUR NO VOTE ON AB 698



UCLA Lewis Center
for Regional Policy Studies

2381 Public Affairs Building, Los Angeles, CA 90095
lewiscenter@luskin.ucla.edu
lewis.ucla.edu