

Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 698 (Wicks) – As Amended March 28, 2025

SUBJECT: Local taxation: real property transfers.

SUMMARY: Requires, before a legislative body adopts any transfer tax on the sale of real property, the legislative body to provide an analysis that examines the effect of the proposed tax and to include this analysis in the ballot materials of the respective ballot measure to implement the tax. Specifically, **this bill:**

- 1) Specifies that, before a legislative body, including, but not limited to, the legislative body of a charter city, adopts any transaction or sales tax on the sale of real property, the legislative body shall develop and post on its internet website an analysis that examines, at a minimum, the effect of the proposed transfer tax on all of the following:
 - a) The production of affordable housing, including affordable housing produced by market-rate housing projects.
 - b) The production of market-rate housing units.
 - c) Property tax revenue for the city, county, state, and any relevant special districts.
- 2) Provides that any ballot measure submitted to the voters of a city that proposes to implement a transfer tax shall include, in the ballot material provided to each voter, the analysis developed pursuant to 1), above.
- 3) Finds and declares that (a) the greatly diminished ad valorem property tax revenue, which flows outside the city and county boundaries and into schools, and (b) the provision of adequate housing, in light of the severe shortage of housing at all income levels in this state, are matters of statewide concern and are not municipal affairs. Therefore, this bill applies to all cities, including charter cities.

EXISTING LAW:

- 1) Provides that any change in state statute which results in any taxpayer paying a higher tax must be imposed by an act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed (California Constitution, Article XIII A, Section 3).
- 2) Authorizes cities, counties, and special districts, by a two-thirds vote of the qualified electors of such district, to impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such city, county or special district (California Constitution, Article XIII A, Section 4).
- 3) Specifies that, except as permitted in Section 1 of Article XIII A of the California Constitution, no local government or district may impose any ad valorem taxes on real

property. No local government or district may impose any transaction tax or sales tax on the sale of real property within the city, county or district (Government Code § 53725).

- 4) Establishes the Documentary Transfer Tax (DTT) Act that governs the authority of a city or county to impose a transfer tax and provides for specific exemptions to the tax [Revenue and Taxation Code (RTC) §§ 11901-11935].
- 5) Specifies that the board of supervisors of any county or city and county, by an ordinance, may impose, on each deed, instrument, or writing by which any lands, tenements, or other realty sold within the county shall be granted, assigned, transferred, or otherwise conveyed to, or vested in, the purchaser or purchasers, or any other person or persons, by their direction, when the consideration or value of the interest or property conveyed (exclusive of the value of any lien or encumbrance remaining thereon at the time of sale) exceeds \$100 a tax at the rate of \$0.55 for each \$500 or fractional part thereof (RTC § 11911).
- 6) Provides that the legislative body of any city which is within a county which has imposed a tax pursuant to 2), above may, by an ordinance adopted pursuant to this part, impose, on each deed, instrument, or writing by which any lands, tenements, or other realty sold within the city shall be granted, assigned, transferred, or otherwise conveyed to, or vested in, the purchaser or purchasers, or any other person or persons, by their direction, when the consideration or value of the interest or property conveyed (exclusive of the value of any lien or encumbrance remaining thereon at the time of sale) exceeds \$100, a tax at the rate of one-half the amount specified in 2), above, for each \$500 or fractional part thereof (RTC § 11911).
- 7) Requires a credit to be allowed against the tax imposed by a county ordinance for the amount of any tax due to any city by reason of an ordinance (RTC § 11911).
- 8) Species that any tax imposed pursuant to 2) and 3), above, shall be paid by any person who makes, signs or issues any document or instrument subject to the tax, or for whose use or benefit the same is made, signed or issued (RTC § 11912).

FISCAL EFFECT: None.

COMMENTS:

- 1) **Bill Summary.** This bill requires that, before a legislative body adopts any transaction or sales tax on the sale of real property, the legislative body must develop and post on its website an analysis that examines the effect of the proposed transfer tax. The analysis must include information related to housing production and property tax revenue and must be included in the ballot materials, provided to each voter, on the ballot measure. The author is the sponsor of this bill.
- 2) **Author's Statement.** According to the Author, "Transfer taxes can be an excellent tool to raise revenue for local governments, including to help facilitate affordable housing. However, if poorly constructed, they can impact housing production, which would have a detrimental impact on the very communities these taxes are intended to benefit. AB 698

would ensure that elected officials and the electorate are able to make informed decisions about proposed transfer taxes, to help minimize negative impacts and maximize positive benefits.”

- 3) **Documentary Transfer Taxes.** The California Constitution and state statute prohibit transaction taxes or sales taxes on transfers of real property. The DTT Act allows counties to levy a tax upon the recording of documents that transfer interests in real property. All 58 counties impose a DTT, which is levied at a rate of 55 cents per \$500 (or 0.11%) of the value of the real property or interest being transferred. The Act allows a city within a county that has adopted a DTT to impose a DTT at one-half of the county rate. The amount of tax paid to a city is a credit against the amount of the tax owed to a county. Most cities levy a DTT pursuant to the Act. Under the “municipal affairs” doctrine established by Article XI, Section 5 of the California Constitution, some charter cities tax the transfer of ownership of real estate at rates that exceed the statutory limit on the DTT.
- 4) **Recent Real Estate Transfer Tax Measure.** A recent University of California, Los Angeles (UCLA) study titled, *The Unintended Consequences of Measure ULA*, released in April 2025, discusses the effect of the passage that Measure ULA has had on higher-end real estate transaction in the City of Los Angeles (L.A.). Measure ULA was placed on the ballot by and approved by L.A. voters in 2022 with a 57.77% vote. Measure ULA went into effect in April 2023. The tax was framed as a “Mansion Tax”, and it imposed a real estate transfer tax designed to help L.A.’s housing crisis. The study provides details on how the tax effects certain real estate transactions saying the measure initially applied to real estate transactions over \$5 million, and it imposed a 4% tax on transactions priced between \$5 million and \$10 million, and a 5.5% tax on transactions over \$10 million. The tax thresholds are to be adjusted for inflation every year. Prior to Measure ULA Los Angeles, like many cities, did have a real estate transfer tax, but it was very low: its rate was 0.45%, on transactions above \$100,000. The study states that, “For high-end sales, then, Measure ULA represented an almost ninefold increase in the tax rate. ULA’s goal is to help alleviate housing burdens, and the revenue it raises is dedicated to projects like homeless housing, affordable housing, and tenant assistance.” The Los Angeles Housing Department Dashboard shows that Measure ULA has generated more than \$600 million over 939 transactions since it was imposed by the voters.

According to the UCLA study, “...While ULA has real and visible benefits, there are signs that it also carries considerable, albeit less visible, costs. One sign of those costs is the revenue ULA hasn’t raised. The measure’s supporters are correct that ULA has raised more money than any other local housing program, but this is a depressingly low bar to clear. It’s also a different bar than the one laid out when voters were asked to support the measure. When proponents first placed the ‘Mansion Tax’ on the ballot, they did so estimating that it would raise between \$600 million and \$1.1 billion annually. It has not come close to hitting that mark. According to the city’s ULA Dashboard, from April 2023 to December 2024 the measure actually raised \$480 million, or roughly \$288 million per year — well below what was anticipated.” (citations omitted)

In its conclusion, the UCLA study proclaims that, “In summary, we believe a fair reading of the evidence should give cause for concern. Measure ULA is plausibly reducing a small but disproportionately important segment of real estate transactions. These transactions — the trade in more expensive non-single family property — are pivotal for increasing our housing

supply, and for repurposing many spaces that the new economy has rendered obsolete. These transactions also drive growth in the property tax base, which means they have strong fiscal implications for not just the City of L.A. but also the other governments (the county, the school district, and various special districts) that rely on revenue from property in the City of L.A. Not least, discouraging these transactions also reduces ULA's own revenue.

"A final point is that Measure ULA, in targeting these transactions, departs from the spirit in which it was advertised. ULA was heavily promoted as a "Mansion Tax" and a tax on unearned gains, but our evidence suggests it is landing heavily on the trade in commercial, industrial and multifamily residential property. Put another way, Measure ULA was advertised as a tax on what might be called "consumer" real estate — high-value single-family residences — but we see that in practice it lands heavily on investor real estate, which is to say people trying to build, or to operate properties as businesses."

- 5) **Local Elections.** Elections Code Sections 13300-13303 require county elections officials to mail a county voter information guide to each voter in the jurisdiction, as specified. Existing law requires the county voter information guide to contain, among other things, a copy of the official ballot (sample ballot), a notice of the polling place, a complete copy of each local measure, and an analysis of each measure.

California's Election Code also provides for the requirements a city must follow when a measure qualifies for the ballot. The city attorney must prepare an impartial analysis of the measure showing the effect of the measure on existing law and the operation of the measure. The analysis must include a statement indicating whether the measure was placed on the ballot by a petition signed by the requisite number of voters or by the governing body of the city. Arguments for and against a city measure can be submitted to the voter of the city.

- 6) **Policy Considerations.** The Committee may wish to consider the following:
 - a) **Accuracy.** This bill requires a city to examine the effect a transfer tax may have on the production of housing and on property tax revenue. However, many elements out of the control of a city often effect the housing market and housing production. It could be difficult for a city to estimate how the tax may ultimately have an effect on housing and property taxes in conjunction with such factors as variable inflation and interest rates, the cost of materials and labor, among others. Given the uncertainty of numerous dynamics that might affect housing production and property taxes, the Committee may wish to consider if cities will be able to sufficiently provide an accurate analysis.
 - b) **How to Comply.** This bill mandates a city to include the analysis this bill requires in the materials of any ballot measure proposing to implement a transfer tax. Concerns have been raised by the League of Cities saying, "To be able to analyze how a specific property transfer tax in a given city would factor into the broader macroeconomic landscape would be speculative. This is problematic because Elections Code Section 9280 requires a city attorney to provide a 'true and impartial analysis' of a local ballot measure." Additionally, the League of Cities states that, "The Elections Code emphasizes the importance of providing objective, non-partisan, non-prejudicial information to the voters. The information AB 698 requires is necessarily speculative and would be perceived to be more aligned with the arguments for and against the measure that are contained within the ballot. The courts have also emphasized the importance of these

summaries being neutral and not creating an argument for or against the measure in cases such as *Jobs and Housing Coalition v. City of Oakland* (December 2021) and *Amador Valley Joint Union High School District v. State Board of Equalization* (1978).” Given these concerns, the Committee may wish to consider if including the analysis this bill requires in the ballot materials is appropriate.

- 7) **Committee Amendments.** In order to respond to the policy considerations above, the Committee may wish to amend the bill as follows:

37100.6. (a) Before a legislative body, including, but not limited to, the legislative body of a charter city, adopts any ~~transaction or sales~~ **transfer** tax on the sale of real property, the legislative body shall develop and post on its internet website an analysis that examines, at a minimum, the effect of the proposed transfer tax on all of the following:

- (1) The production of affordable housing, including affordable housing produced by market-rate housing projects.
- (2) The production of market-rate housing units.
- (3) Property tax revenue for the city, county, state, and any relevant special districts.

~~(b) Any ballot measure submitted to the voters of a city that proposes to implement a transfer tax shall include, in the ballot material provided to each voter, the analysis developed pursuant to subdivision (a).~~

SEC. 2. The Legislature finds and declares (a) **property tax receipts are reduced by fewer property sales and that a reduction in property tax has a countywide impact;** the ~~greatly diminished ad valorem property tax revenue, which flows outside the city to counties and into schools,~~ and (b) the provision of adequate housing, in light of the severe shortage of housing at all income levels in this state, are matters of statewide concern and are not municipal affairs as that term is used in Section 5 of Article XI of the California Constitution. Therefore, Section 1 of this act adding Section 37100.6 to the Government Code applies to all cities, including charter cities.

- 8) **Arguments in Support.** According to a coalition in support of the bill, “AB 698 recognizes that local transfer taxes, while often well-intended, can easily go too far. They quickly make the construction of new multifamily and inclusionary housing projects financially unfeasible, resulting in a reduction of new affordable units. By ensuring that multifamily projects remain financially viable, AB 698 helps preserve union construction jobs and supports the skilled workforce that builds the housing and infrastructure our communities depend on. The state should also recognize real estate properties and investments that have been destroyed by economic metrics as well, which include rising interest rates and construction costs. “According to a recent study from the UCLA Lewis Center for Regional Policy Studies, transfer taxes like ULA add new costs in the final stage of development, often compounding an already fragile financial stack in today’s high-cost, high-interest environment, an effect the study flags as a serious barrier to new housing. (Phillips, 2020)

“The bill is especially timely for communities throughout the state that are considering replicating Measure ULA, where voters in the City of Los Angeles approved a transfer tax on the sale of high-value property within the city limits to fund low-income housing programs in

2026. The measure was referred to as the “mansion tax” by its supporters and imposes a 4% tax on sales over \$5 million and a 5.5% tax on sales over \$10 million. However, in practice, the measure applies not just to mansions but to every property over \$5 million, including apartment buildings. While the intent behind the measure was to address the housing crisis, it is creating serious unintended consequences for individuals and homebuilders whose multi-family housing projects in the pipeline remain in jeopardy.

“Just this April, Lewis Center issued another compelling report entitled, *“Taxing Tomorrow: Measure ULA’s Impact on Multifamily Housing Production and Potential Reforms,”* which warns that Measure ULA’s current design may undermine its own goals. As development slows, revenue for affordable housing programs could fall far short of expectations. The study notes that applying ULA to new and recently completed developments discourages the very activity that generates revenue. It also suggests that a narrower tax focused on true luxury properties may ultimately raise more funds without damaging housing production (Ward, 2025).

“In order to assist even more residents in the state, AB 698 should be amended to prohibit ALL local jurisdictions from imposing a transfer tax on the sale of multi-family properties that has been issued a certificate of occupancy within 15 years, except for single family homes and properties located in an area where there is a declared local emergency, and the development on the property was destroyed or made uninhabitable. These changes will ensure multi-family housing production remains financially viable and if applicable to existing transfer taxes throughout the state, it would help restore balance to the property tax system and ensure that we’re encouraging housing production— not punishing — reinvestment in our cities.”

- 9) **Arguments in Opposition.** According to the State Building and Construction Trades Council (SBCTC), “The SBCTC’s local building trades council covering Los Angeles and Orange Counties is a part of the United to House LA (ULA) Coalition spanning diverse sectors 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. In November 2022, the UHLA coalition passed Measure ULA in with 58% approval from Los Angeles voters. In under two years since its effective date, the measure has raised over \$630 million of funding for 11 programs that build affordable housing, preserve affordable housing, expand homeownership opportunities, protect tenants from displacement, provide income support to seniors and people with disabilities, and prevent homelessness.

“Measure ULA is by far Los Angeles's largest local source of funding for affordable housing. Since the passage and the implementation of ULA, we have seen 798 units of affordable housing developed, yielding 10,000 union construction jobs. Considering ULA's impact in combating the homelessness crisis, we are deeply concerned about AB 698 or any legislation that would harm or disrupt transfer taxes, such as Measure ULA. In the other 22 jurisdictions around the state with enhanced transfer taxes, legislation causing a reduction in their revenues would risk diminishing affordable housing production.

“Lastly, President Trump’s slashing of federal programs, including billions of dollars that flow into states is worsening existing fiscal crises. It is at times like this when local revenue becomes the lifeblood that saves jobs, services and economic development activity. Local

jurisdictions throughout California need the ability to raise revenues through various means, including transfer taxes. For the City of Los Angeles, the need is immense. Measure ULA remains the primary substantive source of funds for addressing significant housing needs. We firmly oppose efforts that would undermine local revenues, especially at a time of local, state and national fiscal crisis.”

REGISTERED SUPPORT / OPPOSITION:**Support**

Abundant Housing LA
Bay Area Council
Building Owners and Managers of Greater Los Angeles
California Downtown Association
California Yimby
Circulate San Diego
Council of Infill Builders
East Bay Yimby
Elevate California
Employers Group
Greater Los Angeles Realtors
Grow the Richmond
Housing Action Coalition
Mountain View Yimby
Multicultural Business Alliance
Naiop Socal Chapter
Napa-Solano for Everyone
Northern Neighbors
Peninsula for Everyone
Santa Cruz Yimby
Santa Rosa Yimby
SF Yimby
South Bay Yimby
The Two Hundred
Ventura County Yimby
Yimby Action
Yimby LA
Yimby Slo

Opposition

ACCE
ACT -LA
Active San Gabriel Valley
AFGE Local 1260, AFL-CIO
Beverly-vermont Community Land Trust
Brotherhood Crusade
Communities for a Better Environment
Community Power Collective

Corporation for Supportive Housing
East LA Community Corporation
East Yard Communities for Environmental Justice
Esperanza Community Housing
Fideicomiso Comunitario Tierra Libre
Fusion Community Empowerment
Homes & Hope
IBEW Local 11
Iron Workers Local 433
KIWA (Koreatown Immigrant Workers Alliance)
LA Alliance for a New Economy
LA Forward
LCLAA Los Angeles
Liberty Community Land Trust
Liberty Hill Foundation
Long Beach Residents Empowered
Los Angeles County Federation of Labor
Los Angeles Neighborhood Land Trust
Los Angeles / Orange Counties Building and Construction Trades Council
Move LA
Public Advocates
Public Counsel
SAJE
Santa Monica's for Renters' Rights
Southern California Association of Nonprofit Housing
State Building and Construction Trades Council of California
Tenants Together
T.r.u.s.t. South LA
U.A. Plumbers and Pipefitters Local 761
United to House Los Angeles
USC Gould School of Law Housing Law and Policy Clinic
WLCAC Re-entry

Analysis Prepared by: Jimmy MacDonald / L. GOV. / (916) 319-3958