

Parcel Tax

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businesses and property owners oppose the initiative as it is set to appear on the November 6 ballot.

Developed by the Los Angeles County Flood Control District, the proposal would require property owners to pay 2.5 cents for each square foot of nonpermeable space. This includes concrete, pavement and roofs that keep stormwater and urban runoff from entering the earth. The tax would supply approximately \$300 million for the construction and operation of projects such as water treatment wetlands, diversions to the sewer and increased vegetation on streets to capture stormwater, according to Steven Frasher, a public information officer with L.A. County Public Works.

Area organizations representing businesses and commercial property owners expressed three major issues with the tax. One is that the measure does not outline any specific projects or their associated costs. “There are no guaranteed projects, no objectives for capture, no timeline and no guarantees of what the money will pay for. It’s kind of like a blank check,” Los Angeles County Business Federation (BizFed) Advocacy Director D’Andre Valencia said. “That’s the heartache we have.”

Valencia clarified that BizFed is not opposed to a stormwater parcel tax in general, but opposes the measure in its current form. “The business community understands that we have to do our part, but we need the county to step up and give us some guarantees,” he said. Valencia added that taxes and fees were the biggest concern this year for the 715 companies that re-

sponded to BizFed’s annual poll of its member organizations.

Another point of contention is that the measure does not include a “dusk” or “sunset” clause that establishes an end to the tax or reduces its amount once the projects are completed. “This is a forever tax,” Valencia said. “We asked [the county] to include a “dusk” clause, where, over a certain time period, the overall money brought in from this will be reduced just to cover ongoing maintenance and operation.”

Long Beach Area Chamber of Commerce Senior Vice President Jeremy Harris voiced his agreement, but pushed for one step further. “When we take positions, if there’s going to be a tax, we like to see a sunset clause if we’re even going to remotely consider supporting it,” he said.

A provision in the measure specifies that the L.A. County Board of Supervisors plans to re-examine it after a period of up to 30 years, and evaluate whether the number of water treatment projects are sufficient.

The program allows property owners to apply for a credit under which they could receive up to 100% of the tax back if they implement changes to prevent runoff. But the third major issue that business advocacy organizations articulated was that the implementation process is arduous and comes at another cost to landowners. “Businesses applying have to recertify every two years,” Valencia explained. “Companies have to hire engineers to assess their lot and how it captures stormwater. This takes a lot of money and de-incentivizes people from going through the process.” Valencia added that BizFed had asked the county to extend the certification period to five years.

Bruce Reznik, the executive director of Los Angeles Waterkeeper, an organization

that aims to protect L.A.’s inland and coastal waters, outlined the three main reasons why his organization supports the proposal. First, urban and stormwater runoff is the main source of pollution in local waterways, he noted. “It brings trash [and] toxins, and it puts the public health at risk,” he said. “Anything that reduces stormwater pollution is critically important to the health of our creeks, rivers and coastal waters.”

According to Reznik, L.A. Waterkeeper also supports the measure because, rather than focusing on cleaning stormwater runoff, it prioritizes capturing and reusing it. “Especially as our climate is changing – we’re going to heavier storms, to longer droughts – capturing stormwater is a really smart, cost-effective way to be more water-secure.” He estimated that each day about 100 million gallons of stormwater is wasted as runoff into streams, creeks and eventually into coastal waters.

Reznik said that Measure W also emphasizes solutions that bring additional value to the community. “Whether that’s creating more parks that can capture and infiltrate runoff, or greening our schools, homes and businesses, it offers so many benefits,” he said. “If there’s more nature that replaces our traditional concrete, it cools our communities, improves recreational opportunities, improves air quality and provides habitats for animals.”

L.A. Waterkeeper is part of OurWaterLA, a coalition of organizations across the county that is working toward securing a clean, reliable water supply. It is also a part of the Yes on W campaign, which aims to secure endorsements for the measure and educate elected officials and the community on its importance.

The Los Cerritos Wetlands Land Trust, a Long Beach-based organization dedicated

to protecting the local wetlands, also backs the measure and is another member of OurWaterLA. “It will lessen the amount of polluted water that goes into our local rivers and then into our local wetlands,” Executive Director Elizabeth Lambe commented. “That will make the Los Cerritos Wetlands healthier and a better place for habitat.”

Lambe has sent e-mails to the organization’s members and advocates, a list that totals thousands, urging them to contact their representatives in support of the measure. “We’re a small group in one part of L.A., but we see its value and what it can do to protect the wetlands,” she said.

On August 21, the Long Beach City Council voted to support the measure. The amount of funding each city would receive is proportional to the amount of tax collected, and Long Beach stands to gain approximately \$5 million per year, Diana Tang, the city’s manager of government affairs, said. Mayor Robert Garcia expressed his intention to vote in favor of it in November. “I think there’s a lot of benefit to a city on the coast and one that has two rivers that empty out into our waters,” he told the Business Journal.

Martha Cox-Nitikman, the vice president of public policy for the Building Owners and Managers Association of Greater L.A., questioned whether government officials understand where the tax may actually fall. “In commercial buildings, anything that’s a tax can be passed on to tenants,” she commented. “I think sometimes the city councils or the county supervisor misunderstand that the impact isn’t on the large building landlord; the impact is on an individual company. If you have a small company, and you’re trying to operate, by the time you have to pay this fee and this permit fee and the parcel tax . . . well, they just go on and on and on.” ■

Rent Control

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First Vice President and National Director John Sebree hosted a webinar on September 6 featuring real estate industry executives to gain their perspectives on the proposition.

Costa-Hawkins was enacted in 1995 and limits the use of rent control. The act states that units built after February 1, 1995, and single-family homes are not subject to rent control, exempted housing must remain exempt, and landlords may increase rental prices to market rate when a tenant moves out.

Jim Lapides, vice president of strategic communications for the National Multifamily Housing Council, argues that increasing the reach of rent control – passing Proposition 10 – would not aid in solving the housing crisis but rather exacerbate it. “When milk is expensive, you figure out how to get more cows to make more milk,” he said. “You don’t put a cap on the price.”

Lapides said there are three “pillars” needed to alleviate the state’s housing crisis: construction of housing for people of all social standings; public-private partnerships such as land swaps and other programs to encourage construction; and targeted assistance through federal or local voucher programs for those in the greatest need such as veterans, the homeless and low-income families.

Gubernatorial candidate Gavin Newsom weighed in on Proposition 10 at a housing conference in March. “Getting rid of [Costa-Hawkins] overall may have unintended consequences on housing construction and production that could be profoundly problematic,” he said.

A coalition of teachers, nurses, seniors and renters have created a “Yes on 10” campaign under the slogan, “Because the rent is too damn high!” According to the coalition’s website, giving “free reign” to developers and landlords is making it difficult for working-class communities to stay in their homes. A lack of rent control protections is forcing many into long commutes or to become homeless, the coalition contends.

During the webinar, John Eudy, executive vice president



September 6 webinar shows real estate experts discussing Proposition 10, which would expand the reach of rent control statewide through the repeal of the 1995 Costa-Hawkins Rental Housing Act.

and chief investment officer of development for Essex Property Trust Inc., said the Yes on 10 slogan is a “mirage” that provides no facts to support rent control’s effectiveness. The three panelists and moderator agreed that the solution to housing affordability is not more regulations, such as increased rent control. Rather, they believe housing construction needs to be deregulated to encourage development.

“The solution is building more units. There is not another vehicle,” Sebree said. “We have to get to the point where we can deliver units at a cost far below where we are today.”

Sebree analyzed construction in Los Angeles and San Francisco compared to Denver, Seattle and Dallas-Fort Worth, and found the latter group produced twice as many residential units between 2013 and 2017. He argued that the reason for the slower rate of construction in California are its regulations, which result in high fees on top of construction costs.

Damon Conklin, director of government affairs for the Federation of California Builders Exchanges, explained that impact fees (fees charged by local governments to provide public services to a new development) alone average \$23,000 per residential unit in California. In San Francisco, impact fees can reach \$200,000 per

unit, while Irvine averages \$60,000 per unit, he added.

The panelists argued that the ramifications of repealing Costa-Hawkins would affect the state’s economy by forcing the workforce to move out of state and decreasing investment. Sebree recalled how Santa Monica experienced a dramatic decrease in its housing stock before Costa Hawkins was enacted because its rent control policy made it so that properties were not economically viable for the owners, who then demolished them to make way for other uses. The remaining housing stock deteriorated because landlords could not increase rents enough to keep up with increasing operating costs, he added.

Conklin speculated that the continued increase of construction jobs would cease and likely decline if Costa Hawkins were repealed. He reasoned that developers would opt not to build projects that would be subject to rent control due to a diminished return on investment.

“There is an issue that needs to be addressed, and if we don’t, it will only get worse,” Sebree said. “There is a middle-class housing crisis, but Proposition 10 is not the answer – it will make the situation much worse.”

Single-family homeowners would also experience a reduction in their home value if Costa-Hawkins is repealed, Lapides said. Homeowners would be held to the same rent control regulations as multi-family property owners, which would mean slower income growth for those renting their homes or a room, as well as a freeze on single-family home construction, Lapides explained.

At the national level, 35 states have various levels of pre-emptions against rent control, Lapides noted. The revisiting of rent control as a viable solution to California’s housing crisis is the result of people forgetting why it doesn’t work or not having been around to experience it firsthand, he added.

“We need to get to the root of the problem, not treat a symptom,” Conklin said. “Prop. 10 doesn’t build a single unit. It doesn’t bring down the cost of a single unit and that is the problem.” ■