

Q&A

What's going on with these tax hikes for homeless programs, anyway?

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Los Angeles' political leaders have a \$1.8-billion plan for addressing the city's homelessness crisis. To carry it out, they need money. So this week, the City Council prepared two property tax increases for the Nov. 8 ballot. Yet they only want voters to consider one. It's all a bit confusing, so we're going to break it down.

What is the City Council doing?

City lawmakers are putting together two tax ballot measures to pay for new housing for the homeless. One is a parcel tax hike, the other a bond measure.

So only one of these would increase taxes?

No, both would increase property taxes in L.A. Bond is just a fancy word for borrowing. With a bond measure, the city would borrow money to pay for development of housing, then pay off that debt using increased revenue from a property tax hike.

All right. But why do they want two tax measures?

They don't. Council members plan to have only one measure on the Nov. 8 ballot. But they haven't decided which one they prefer. Facing a deadline to submit ballot language, they moved ahead with both to buy some time. Between now and Aug. 12, council members will need to keep the tax proposal they don't like off the ballot.

OK. How much would the city rake in from the two measures?

The bond measure, which was approved for the ballot on Wednesday, would provide \$1.2 billion over 10 years, or through 2027. The parcel tax, which comes up for a vote Friday, would generate \$900 million over the same period. Although the amounts are different, both need support from two-thirds of voters to pass.

So the council will just pick the bigger tax, right?

That might indeed happen. Councilmen Jose Huizar and Marqueece Harris-Dawson have already said they prefer a bond. But there are other factors at play. Bond measures must be used for the development of buildings, city analysts say. A parcel tax, on the other hand, could also pay for ongoing programs, like the operation of storage units where homeless residents stash their belongings.

In general, parcel taxes don't have as many restrictions on where the money goes. But bond measures tend to get more votes on election day.

How much will property owners end up paying?

Here's where it gets complicated. The city's parcel tax proposal would charge more than three cents – \$0.0348, to be precise – for each square foot of physical improvements on a piece of property.

For the owner of a 1,000-square-foot house, a parcel tax would add \$34.80 per year in property taxes. For the owner of a 100,000-square-foot warehouse, that's an extra \$3,480 per year.

What about the bond measure?

For property owners, the cost would vary year by year. For example, city officials expect that in 2021, the bond will add \$8.43 per year to each \$100,000 of assessed value on a home or other piece of property. That's an extra \$25.29 for a home assessed at \$300,000, or around \$42 for a triplex assessed at \$500,000.

Is that cost going to change?

Yes. Taxes from the bond will steadily grow over a decade, then taper off year by year, according to City Administrative Officer Miguel Santana, the top budget official. So in 2027, when the city's borrowing reaches its peak, the measure is projected to add \$17.54 in taxes to every \$100,000 of assessed value.

In other words, that's an extra \$52.62 for a home assessed at \$300,000, or \$87.70 for a triplex assessed at \$500,000. (Bear in mind these are projections.)

Why would the bond cost different amounts in different years?

The city expects to steadily borrow money over a decade as it ramps up its program for building housing. After 2027, as the bonds are paid off, the taxes will gradually taper off, disappearing entirely in 2046.

So what would L.A. get from this extra money, anyway?

The idea is to build what advocates call permanent supportive housing – apartments that provide on-site services, such as substance abuse counseling or mental health assistance. With a bond, the city would buy property, then lease it to developers of supportive housing. With a parcel tax, the city could use the extra money both for supportive housing and ongoing programs.

How many new apartments would this strategy create for the homeless?

Harris-Dawson, the bond proposal's co-author, said he wants the measure to pay for at least a portion of 10,000 residential units.

Got it. So ultimately, L.A. voters will see just one tax measure to pay for homeless initiatives, correct?

Actually, there might be another. The Los Angeles County Board of Supervisors is pondering its own countywide tax hike measure, which would go to voters both in L.A. and in dozens of neighboring cities and unincorporated areas. But it's unclear what form it would take. The supervisors failed to persuade Gov. Jerry Brown to let them put a so-called "millionaire's tax" on the Nov. 8 ballot. So now they're looking at a sales tax, a parcel tax, a marijuana tax and other ideas.

The homeless issue has been around for decades. Why the push for taxes this year?

The city's elected officials say public interest in addressing the homeless problem is at an all-time high. They've been getting an earful from residents about encampments on sidewalks, in alleys and along storm drain channels.

"I've seen seven polls in a row where people say that homelessness is their No. 1 concern, where people are willing to say, 'Yes, I'd rather dig in my pockets and prevent [homelessness] because it's going to save more in the long run,'" Mayor Eric Garcetti said this week.

Just as important: This year's election is expected to have higher voter turnout than at any time since November 2012, when President Obama was reelected. The higher the turnout, the thinking goes, the more liberal the electorate – and the greater the chances of getting a tax measure approved.

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