WEBVTT

2
00:00:27.050 --> 00:00:51.570
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): Okay, now, as a good a time as any. Hello, everyone. My name is Jackson Navier, and I'm a senior associate of public engagement at spur. Thank you so much for joining us for this digital discourse today. Many of you here today are spur members. So thank you so much for your support. If you're not a member, I encourage you to join the sports spurs, ongoing work, and using education, policy, analysis, and advocacy to make our cities and region more prosperous, sustainable, and

3
00:00:51.570 --> 00:01:01.939
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): and equitable places to live. Your financial support enables us to continue our work, including the hosting of programs like today's. You'll find more information about membership online@spare.org slash. Join.

4
00:01:02.250 --> 00:01:10.949
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): Our next event is scheduled for next Tuesday, at 6 30 Pm. It is titled transformative community government partnerships and housing policy.

5
00:01:11.050 --> 00:01:25.010
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): The pandemic was a stark reminder of the importance of relationships between local government and community. The need for the Government to act swiftly and equitably was the parent, as the nation saw an explosion of activism around public health and safety, housing and homelessness

6
00:01:25.120 --> 00:01:36.230
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): and economic and climate justice. These movement centered the needs of those most affected by the crises. But how can we ensure community voices are centered in policy making processes?

7
00:01:36.510 --> 00:02:03.870
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): This panel on Tuesday we'll discuss partnership with the base, future innovative model of policy change that facilitates community and government collaboration. This model and shares community leaders have a seat at the table, and can better understand the inner workings of government while also providing resources and insight to government insight to government officials as they craft policy in today's digital discourse. And the reason you're all here this evening is finding a way to pay for infrastructure without taxing new housing

8
00:02:04.390 --> 00:02:24.230
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): as jurisdictions across California grapple with the State's worsening, housing crisis. Leaders in San Francisco need to plan to accommodate 82,000 new homes required by the city's recently developed housing element to do so, they will need to remove impediments to housing production, including some parks transit and affordable housing fees typically paid by new development.

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00:02:24.260 --> 00:02:40.280
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): This evening you will hear a proposal for a novel way to support community infrastructure without taxing new housing. The progressive parcel tax professors Elmendorf and Chingki from the University of California. Davis will explain how such a tax can be based to raise revenue without disincentivizing development.

10
00:02:40.820 --> 00:03:04.239
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): And of course we are joined by fabulous speakers today, for as Professor Christopher Amendorf, Professor Almendorf works on property and land, use, law, election, law, statutory interpretation, and administrative law, using both doctrinal and empirical methods, he's a leading author on California's planning for housing framework. His research has been published in numerous tough law reviews and political science journals.

11
00:03:04.580 --> 00:03:25.929
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): Next up we have Professor Darry. In Shinski. Professor Shaney's academic interests include taxation, particularly state and local taxation, local government law, public finance and political theory. Before law school. Professor Shanxi worked as a financial consultant to California local governments after law school he worked as a public finance attorney.

12
00:03:25.930 --> 00:03:35.189
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): Professor Shenki co-wrote, the only commentary on the California's constitution. It was the primary author, the sections related to local government, public finance and taxation.

13
00:03:35.230 --> 00:04:03.660
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): and today's discussion will be moderated by Sarah Karlinski. So it currently serves as per senior advisor, and works with transport housing agenda across the bang. And last, we want this to be an interactive conversation and plan on spending as much time engaging with all of you, so I encourage you to use the chat box to share your thoughts with each other and the other speakers, and I also

encourage you to submit any questions that you may have by using the Q. A. Panel. It should appear as a button at the bottom of your screen or at the top of your screen. If you're using the mobile app.

14
00:04:03.670 --> 00:04:13.690
Jackson Nutt-Beers / SPUR Public Engagement (They/Them): and within the next few days we'll be sharing a copy of the recording transcript and chat box with everyone who's registered. And with that Professor Almondorf, I will turn it over to you to get us started.

15
00:04:22.730 --> 00:04:25.180
Christopher S. Elmendorf: Thank you. Can you hear me and see my screen?

16
00:04:26.460 --> 00:04:43.550
Christopher S. Elmendorf: Great Well, it's really nice to be back at Sp. I was looking forward to being back in person. But things don't always work out in person the way we might hope and it's great to be here, virtually at least as a as a substitute. So

17
00:04:43.900 --> 00:04:56.579
Christopher S. Elmendorf: Dairy and I have dairy, and I have been kicking around ideas for a couple of years about different ways in which cities could finance the infrastructure and other things they want or need

18
00:04:56.580 --> 00:05:12.069
Christopher S. Elmendorf: without using the tools that they have traditionally used which deter development. And I want to talk today a little bit about the problem, at least as as I see it, I think many of the people in San Francisco see it?

19
00:05:12.070 --> 00:05:28.069
Christopher S. Elmendorf: and then I'll introduce the germ of our solution. And this really is a a preliminary idea that we're kicking around, and then Dian will take over and flesh it out a little bit and address some possible injections.

20
00:05:28.440 --> 00:05:43.470
Christopher S. Elmendorf: Okay, and let's see? Yes, I can advance the slides. Okay, so the problem in a nutshell is this, in California? to a great extent, and in many other States to a substantial, if not maybe quite so great an extent.

21

00:05:43.470 --> 00:05:59.740
Christopher S. Elmendorf: cities, finance a lot of things that they try to provide through the to their citizens, not through general purpose, property taxes but through taxes or fees that are assessed on development specifically.

22
00:05:59.770 --> 00:06:10.390
Christopher S. Elmendorf: And if you get the tax or fee. Just right. You can both have revenue and have development. But it turns out it's really tricky to get that tax just right.

23
00:06:10.470 --> 00:06:39.850
Christopher S. Elmendorf: and to give some context here. it used to be the case that most infrastructure was financed with either property taxes or special assessments. We can talk more about the those distinctions later. but in the 19 seventies the voters of California decided they wanted to be done with the property tax, or at least done with 40% of the revenue that was being raised through property taxes. So they cap property taxes.

24
00:06:39.850 --> 00:06:56.570
Christopher S. Elmendorf: and they then, through subsequent ballot measures beyond proposition. 13. Establish further limitations for public vote requirements and other other things for local taxes, that all of which has made it quite challenging for cities to raise revenue for infrastructure.

25
00:06:56.800 --> 00:07:26.670
Christopher S. Elmendorf: So what did cities do instead? Well, in the nice title of a book that was written in the early nineties they regulated for revenue. So how do you regulate for revenue? Well, you can allow, say, a Housing development project or some other development project to go forward only if the developer strikes an ad hoc deal with the city to install some infrastructure that came to be known as an exaction.

26
00:07:26.670 --> 00:07:47.499
Christopher S. Elmendorf: you can also strike what's called a development agreement which is similar to exactions except with the development agreement to develop, the developer is paying money and providing infrastructure for the city in return for locking in the zoning or other rules that apply to the project. So it's essentially like trading legal certainty for money and infrastructure.

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00:07:47.540 --> 00:08:15.760
Christopher S. Elmendorf: increasingly, cities started adding, impact fees which are not negotiated case by case deals. But a more systematic schedule that says, if you want to develop this size project in this location, you need to pay 50,000 or 100,000, or $150,000 per unit, which

money will then go towards affordable housing, or infrastructure, or schools, or public art, or you name it. There's really no end of the possible destinations of the impact fee

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00:08:15.940 --> 00:08:37.439
Christopher S. Elmendorf: And then finally, we get inclusionary zoning, which is another type of condition that says to a developer. If you want to build in this location you may do so, but only if you provide public benefits in the form of deed, restricted, affordable housing which will be rented or sold at a at a substantial loss.

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00:08:37.440 --> 00:08:47.329
Christopher S. Elmendorf: So you pile all these things together, and what do you end up with. Well, if everything works out just exactly right, that is, if you have

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00:08:47.330 --> 00:09:16.219
Christopher S. Elmendorf: good political discretion economic clearance. I mean, people can see the future. What's going to happen to construction costs and rent and prices, and you have good will meeting that the city officials who are responsible for project approvals are actually trying to approve projects that are good for the city rather than to Just, you know, propitiate whatever neighbor happens to be annoyed with the project. If all that works out great, you'll have both revenue and development.

31
00:09:16.320 --> 00:09:42.640
Christopher S. Elmendorf: But this again requires a very delicate balancing exercise to maintain a position where the total stack of fees and exactions is in that sweet spot where, the sweet spot of feasibility, right where it's high enough for the city to get a lot of the money at once, but not so high is to make development in feasible, and the challenge about mixed it. Sticking in that sweet spot of feasibility is it's different from one site to the next.

32
00:09:42.770 --> 00:10:11.509
Christopher S. Elmendorf: because the value of the existing use may be higher on one site than another site, and if the value of the existing use is higher, well, then, the the project, the development process needs to generate more net revenue for it to be worth undertaking. Or maybe one site has a clean up on need, which is going to cost a developer some money or Another set of sites. There needs to be a Land Assembly project which is going to take some time, and thus, it results in higher holding costs.

33
00:10:11.510 --> 00:10:26.459

Christopher S. Elmendorf: so if this, if this model of of exactions plus fees plus development agreements, is going to work out, there has to be a lot of adjustment on a project by project basis. and of course.

34
00:10:26.490 --> 00:10:41.650
Christopher S. Elmendorf: adjustment or discretion on a project by project basis then triggers. Other kinds of problems. like the mobilization of neighbors who don't like a project like obligations to do reviews under the California Environmental Quality Act.

35
00:10:41.890 --> 00:10:51.960
Christopher S. Elmendorf: Okay? So if the if you don't end up in the sweet spot, what happens is that you end up putting a de facto floor on the price of housing.

36
00:10:52.850 --> 00:11:07.650
Christopher S. Elmendorf: and the reason this regime operates to put a a de facto floor on the price of housing. Is that in a competitive market the price of housing. If there are sites in which housing can be built, the price of housing tends to stabilize

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00:11:07.650 --> 00:11:34.289
Christopher S. Elmendorf: at a little bit higher than construction costs maybe 20% higher than construction costs, but construction costs, again, includes not just labor and materials. It includes the cost of negotiation. The cost of the impact fees, the cost, the exactions, the legal risk associated with the discretionary review process. so as these costs get ratchet up, you end up with effectively. baking in high prices for housing.

38
00:11:34.570 --> 00:11:56.260
Christopher S. Elmendorf: So And it turns out that even if you think you've done a pretty good job setting that setting the fees just right. If you have a modest shock to to construction costs going up, and a modest shock to rent with the rents going down suddenly, you end up in the position that San Francisco is in, where, according to the city's own studies.

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00:11:56.260 --> 00:12:11.989
Christopher S. Elmendorf: virtually every imaginable type of Housing development project in the city today is economically in feasible, notwithstanding that San Francisco has something like the third highest rent still of any city in the nation.

40
00:12:11.990 --> 00:12:15.450
Christopher S. Elmendorf: So this is not a great position to be in.

41
00:12:15.700 --> 00:12:35.639
Christopher S. Elmendorf: So what's the solution? Well, there are a couple of possibilities. the one that we have been toying with recently is an idea that we call a progressive parcel tax a and a parcel tax which would be keyed to the allowable building envelope created by an upzoning ordinance.

42
00:12:35.840 --> 00:13:03.429
Christopher S. Elmendorf: Okay? So again, you might think of of a parcel tax as a tax, maybe that you pay for schools, and the parcel tax is paid at, you know, the same amount by everyone who owns a parcel of real estate. But it turns out there's actually quite a bit more flexibility in the in the idea of a parcel tax. And the particular variation that we're proposing is a tax that would vary, depending on how much of a landowners allowed to build on their parcel.

43
00:13:03.870 --> 00:13:29.280
Christopher S. Elmendorf: so the key idea here is that When cities up zone that has changed their zoning ordinances to allow higher density, development and high demand locations. They are increasing the value of those sites right, unless, of course, the up zoning is self undermining, because the stack of fees and exactions and inclusionary zoning requirements are such that actually nobody can make money building anything.

44
00:13:29.280 --> 00:13:41.189
Christopher S. Elmendorf: But in a world in which you are allowed to build, and where there's demand for housing A change in zoning that allows more housing to be developed is a change that will increase the value of the site.

45
00:13:41.320 --> 00:13:51.889
Christopher S. Elmendorf: and what we want to encourage is cities to tax that potential for development. not the project itself.

46
00:13:51.900 --> 00:13:58.709
Christopher S. Elmendorf: So the idea is to replace impact fees and exactions with a tax on the newly created value.

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00:13:58.950 --> 00:14:02.510
Christopher S. Elmendorf: Now, if the city were able to do that

48
00:14:02.560 --> 00:14:05.560
Christopher S. Elmendorf: taxing the value

49
00:14:05.680 --> 00:14:12.450
Christopher S. Elmendorf: of the site rather than assessing fees on the development of the site.

50
00:14:12.470 --> 00:14:19.530
Christopher S. Elmendorf: the city's tax would raise revenue without deterring development, and the reason it wouldn't deter development is because

51
00:14:19.700 --> 00:14:22.540
Christopher S. Elmendorf: the owner of the site would have to pay the tax

52
00:14:22.880 --> 00:14:30.340
Christopher S. Elmendorf: and the tax in the same amount, regardless of whether they chose to build on the site or not to build on the site.

53
00:14:30.600 --> 00:14:34.290
Christopher S. Elmendorf: so the tax would reduce the value of the site right? It would

54
00:14:34.410 --> 00:14:42.570
Christopher S. Elmendorf: make it a a less desirable thing to own, because anybody who owns that site is going to have to pay this additional tax they didn't previously have to pay.

55
00:14:42.910 --> 00:15:01.349
Christopher S. Elmendorf: But while it reduces the value of the site, it doesn't affect that build or not build decision, and that's the key idea. Right? Remove the impact fees. Remove the inclusionary requirements. raise a bunch of revenue in a way that doesn't affect the decision of whether to build or not build

56
00:15:01.350 --> 00:15:17.910
Christopher S. Elmendorf: In fact, with this kind of tax we can expect that probably some people who are otherwise sitting on sites would choose to sell them to a developer, and so it would effectively increase the supply of developed sites. This, the the number of sites that are in the hands of people who want who want to build.

57
00:15:18.080 --> 00:15:29.679
Christopher S. Elmendorf: okay, I'm gonna hand it over to Darren at this point. Who is going to explain to you. Why, this is not a land value tax that runs the foul of proposition. 13.

58
00:15:30.630 --> 00:15:36.330
Darien Shanske: Great. Thank you. It's great to be here, and we're gonna try the share screen. Swap.

59
00:15:38.190 --> 00:15:39.459
Darien Shanske: let me see.

60
00:15:51.550 --> 00:15:54.379
Darien Shanske: Okay, so can you guys see my screen?

61
00:15:54.880 --> 00:15:55.720
Sarah Karlinsky: Yeah.

62
00:15:55.890 --> 00:15:59.749
Darien Shanske: Great. Okay. Thank you for bearing with me.

63
00:16:00.580 --> 00:16:01.700
Darien Shanske: so

64
00:16:02.100 --> 00:16:09.139
Darien Shanske: the obvious question, is well, can you do this? What about Prop, 13. And

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00:16:09.450 --> 00:16:36.400
Darien Shanske: the answer is that if you had a tax directly on the value of the of these parcels. It quite possibly would be a proper issue problem, not gonna say for sure. But let's just say that, would we a significant legal risk. On the other hand, a parcel tax tied to other relevant parcel characteristics, characteristics that would be like related to the additional infrastructure costs. That would be

66
00:16:36.570 --> 00:17:05.600
Darien Shanske: born by the city. If the parcels were developed, say the size, the frontage dwelling unit right would not be for close, so you could have a more granular parcel tax need a progressive ish parcel tax? without violating prop 13. Now, how do I know this? Well part of the reason I know this is because it's commonly already done in the green field development context. And this is most commonly known. These kinds of taxes are known as Melar Roost taxes.

67
00:17:05.919 --> 00:17:12.639
Darien Shanske: This was a statue put into place in 1,982, in the aftermath of prop. 13, and

68
00:17:13.400 --> 00:17:30.249
Darien Shanske: it responded to the basic problem created by Prop 13, which is, as Chris explained, general property tax is used to front infrastructure. But property taxes were dramatically cut by Prop. 13, and they couldn't be increased. And so how was new infrastructure going to be built? So

69
00:17:30.730 --> 00:17:34.089
Darien Shanske: the Belarus Act permits

70
00:17:34.660 --> 00:17:59.550
Darien Shanske: a developer and a local government to negotiate. a new tax to be opposed on a parcel parcel doesn't have to be the whole jurisdiction. It can be just a piece of the jurisdiction. It can just be the land that the developer wants to develop. They agree for some taxes to be imposed on that parcel. Those taxes will eventually be paid by the home owners who live into that parcel.

71
00:18:00.470 --> 00:18:06.039
Darien Shanske: Once there is a tax in place and a development plan in place. The

72
00:18:06.290 --> 00:18:10.229
Darien Shanske: to the the city can now securitize those taxes

73
00:18:10.320 --> 00:18:30.069
Darien Shanske: which allows them to raise money at a tax exempt rate. to build the infrastructure that will now be the backbone of this new development now might say, Well, how do these taxes? get imposed on? Prop 13 says you can't have more property taxes, and the answer is right. These are not property taxes. They're a kind of parcel tax

74
00:18:30.300 --> 00:18:53.250
Darien Shanske: as a parcel tax under the California Constitution, they would be classified as a special tax because they have a specific purpose. They require a two-thirds super majority. But that's not hard to achieve if you've created a district of just a developer who wants to build this infrastructure. So so in this way, a mellar roost tax is

75

00:18:53.420 --> 00:19:06.739
Darien Shanske: essentially a refined parcel tax used to build infrastructure in context where it's not hard to get that two-thirds threshold. So what kind of projects in melar roost tax look like. So this is an example.

76
00:19:06.740 --> 00:19:24.830
Darien Shanske: of a Belarus tax district near me. in Davis. I'm called the cannery, not picking on the cannery. It's actually a relic as far as these projects go, right. It's not a super green field development, but it's just at the edge of town, as you can see on the map. it has some mixed use and some commercial, but clearly it is

77
00:19:24.830 --> 00:19:46.410
Darien Shanske: new. It is not info. Right? You're building new backbone infrastructure. to make these houses available. it is not, you know, dense housing. And so what are the special taxes? Look like? that are there paying for the infrastructure in the cannery. The Mellor is taxes. This is a a version of the schedule not at all on common, as you can see

78
00:19:46.600 --> 00:20:05.230
Darien Shanske: it's not a flat tax, right? It's based on the size of the parcel. It's based on the type of the parcel. And so you're allowed or at least I mean Miller was taxes provide a precedent for being allowed on to have more of fine and gradular type parcel taxes and

79
00:20:05.330 --> 00:20:12.509
Darien Shanske: important to note that when these taxes are first imposed typically in a green field development context, no development has happened. Yet.

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00:20:12.520 --> 00:20:34.040
Darien Shanske: Right? The these taxes are on post first and developer now has enormous incentive to develop the parcel so that the future homeowners will pay the taxes right and not on the developer. So to some extent Melissa's taxes are very, very similar to what we're proposing in terms of imposing a tax on the buildable envelope.

81
00:20:34.040 --> 00:21:01.730
Darien Shanske: you might say, well, okay. But so that happens in Davis that you know how common is it? It turns out right. Super common. So the National Association of Home Builders. Reckon that's something like 90% of planned use developments in California. Use a Belarus some work that I did with the co-author shows that we we found that in Sacramento County about 30% of parcels have a melar roost tax imposed on them. And this map

82

00:21:01.730 --> 00:21:28.460
Darien Shanske: is of all of Sacramento County, and that big blue outline is the city of Sacramento, and the little pink dots are places with Belarus taxes, and, as you can see, not surprisingly The little pink dots are there at the edge of the city, right? So Belarus has been used extensively. to create new neighborhoods. at the edge of Sacramento. so

83
00:21:28.750 --> 00:21:31.050
Darien Shanske: what would our proposal do?

84
00:21:32.260 --> 00:21:50.970
Darien Shanske: Has a preliminary matter important to understand that San Francisco is a charter city. It does not need the State legislature to pass some new statute. allowing it to impose a new kind of tax. San Francisco has the inherent power to tax it can craft its own version of Melar Roo.

85
00:21:51.540 --> 00:21:59.900
Darien Shanske: What would Sam? What could San Francisco's tax look like it would up zone. high value.

86
00:21:59.940 --> 00:22:13.689
Darien Shanske: parcels by high value, meeting high value in terms of affordable the ability to create a lot of infill affordable housing times, say commercial parcels on transit corridors. And

87
00:22:15.310 --> 00:22:29.089
Darien Shanske: in return for the value essentially created by this up zoning step, 2 would impose a tax on on the up zone. again, it would be a tax based on the potential square foot created by the up zone.

88
00:22:29.090 --> 00:22:48.409
Darien Shanske: The tax would be dedicated to paid for the infrastructure needed to provide the services to this denser development pattern and the tax would be designed in a way I'm not to capture right too much of the value, or to avoid the problem that Chris talked about. Where, right now, if you're

89
00:22:48.670 --> 00:22:53.999
Darien Shanske: If you go too far, then you're going to be at the mercy of of surprising events.

90
00:22:55.090 --> 00:23:08.479

Darien Shanske: This would be a special tax, right? It would be a special tax that would end as a special tax would require a two-thirds super majority. If this were put on the ballot by the point of supervisors.

91
00:23:08.890 --> 00:23:36.880
Darien Shanske: under current law. If the voters were to put this special tax on the ballot, that special tax would only require a 50% super majority. I say under current laws, because there is a proposed ballot measure to eliminate the ability of the voters to put on a 50% measure on the ballot. But as of now, right? That hasn't happened. and so it could be done with a 50% threshold if the voters initiate it.

92
00:23:36.960 --> 00:23:53.620
Darien Shanske: Final aspect of our proposal just to emphasize is that this would not be a tax on right. All the parcels in the city. the idea would be to identify again the high value. parcels along commercial corridors.

93
00:23:53.620 --> 00:24:09.939
Darien Shanske: That would benefit enormously in terms of their value from an up zoning, and take back a certain portion of that value in order to finance the infrastructure. that those parcels are going to require. So A. B 2,011, I believe, past last year.

94
00:24:10.700 --> 00:24:35.579
Darien Shanske: permits denser development along on commercial corridors. And so this map shows the affordable sites I'm picked out by A. B 2,011. We're not in the sale of proposing that all of these sites would be subject to this tax. But just to give you a sense of of the scale, of of what? Of where this tax would be applied.

95
00:24:35.930 --> 00:24:51.209
Christopher S. Elmendorf: There's a political point here which I think is really interesting. Everybody knows that in California it's really hard to raise taxes, because taxes have to be approved by the voters and often have to be approved by 2 thirds of the voters, and nobody likes paying taxes.

96
00:24:51.220 --> 00:25:01.609
Christopher S. Elmendorf: And the ingenious mellow roofs solution to that political problem was to say, well, we're going to define the taxing district

97
00:25:01.630 --> 00:25:09.180

Christopher S. Elmendorf: as consisting only of land where there are no voters right vacant Greenfield land.

98
00:25:10.850 --> 00:25:13.219
Christopher S. Elmendorf: and if there's land where there is no voters.

99
00:25:13.350 --> 00:25:21.629
Christopher S. Elmendorf: then the city can comply with the 2 third super majority requirement by just getting the consent of the owner of the parcel.

100
00:25:23.110 --> 00:25:24.880
Christopher S. Elmendorf: They don't have to even hold a vote.

101
00:25:24.960 --> 00:25:28.049
Christopher S. Elmendorf: They've got the concern in the order of the parcel. They're good.

102
00:25:29.610 --> 00:25:47.700
Christopher S. Elmendorf: but the legislatures realization with a B 2011 is that actually, most of the land in the State that's like really apply for development is not most of the land where people live.

103
00:25:47.790 --> 00:25:59.009
Christopher S. Elmendorf: I. It's a small minority of the of the land, so to speak, or a small minority of the land in existing cities. It's the land downtown. It's the land along commercial corridors.

104
00:25:59.040 --> 00:26:07.679
Christopher S. Elmendorf: and when you look at that on a map, you're like, huh? Well, maybe another way to solve this two-thirds super majority problem

105
00:26:07.690 --> 00:26:10.889
Christopher S. Elmendorf: is just to recognize that we don't have to up zone

106
00:26:11.100 --> 00:26:16.009
Christopher S. Elmendorf: and thus tax most of the land to build a ton of new housing.

107

00:26:17.200 --> 00:26:19.310
Christopher S. Elmendorf: And if we hold a city wide vote

108
00:26:19.930 --> 00:26:27.010
Christopher S. Elmendorf: in which 90% of the people who are voting are not people who own parcels that are up zoned, and thus would be taxed.

109
00:26:27.070 --> 00:26:44.000
Christopher S. Elmendorf: Maybe it would be easier to get to that two-thirds super majority or the 50% super majority. then, one customarily thinks when voting on a parcel tax. Say that that would be applied to every parcel in the city.

110
00:26:46.590 --> 00:27:13.380
Darien Shanske: Okay, that's my yeah. No, no, no, that's take you one. Yeah. Yeah. If you want to take it, take it over again from here. Oh, sure, sure. So we imagine that you have. There's there's some objections that haven't checked the chat, but I may already be there, so we thought we'd hit a few preemptively, and then we'll have a discussion. so one question again is, well, surely this is a property tax? and it turns out.

111
00:27:13.380 --> 00:27:29.160
Darien Shanske: I I will make the joke from an airplane about. Don't call me Shirley, because you didn't, because I just was my slide right. But it it turns out that the Supreme Court in California Supreme Court has made it clear that a property tax is is a tax based on the value of property.

112
00:27:29.160 --> 00:27:57.869
Darien Shanske: it has upheld a tiered parcel tax. before. That shouldn't be surprising. given the prevalence of Melar Roo's taxes. But also it's not just a formal distinction. If you think back about what in part motivated the degrade on property tax revol. It was actual property value inflation in the seventies that led to higher property taxes and the inability of politicians at the time to provide some meaningful safety valve and so

113
00:27:58.020 --> 00:28:21.869
Darien Shanske: it makes sense that prop 13 prevents. an increase of, or or or property taxes tied to property value, and that is not what these taxes do right. These hackers would be tied to parcel size or other relevant characteristics for providing them services. and so it should fit comfortably under the current Supreme Court precedence, which again makes sense. Another objection.

114
00:28:22.700 --> 00:28:32.210

Darien Shanske: clearly this was put some pressure on property owners to sell their property or to develop it, or they might not want to.

115
00:28:32.350 --> 00:28:39.930
Darien Shanske: And in a lot of cases we think that's not a bug, right? That's a feature. But in some cases we might be worried about that.

116
00:28:39.930 --> 00:29:04.179
Darien Shanske: and we acknowledge that. And there are various things that can be done to deal with this right? So there could be specific exemptions I'm given based on age or income. There could be deferrals by deferral mean that you don't have to pay the tax now, but you'll have to pay on the tax when you actually are ready to sell the property? at some point. And there again, models for these kinds of programs.

117
00:29:04.180 --> 00:29:16.520
Darien Shanske: these circuit breakers which keep the tax on being too high relative to the income of the property owner. So there! All kinds of mechanisms. that could you know, allow us to

118
00:29:17.200 --> 00:29:24.059
Darien Shanske: mitigate the impact of the tax. you know, given other concerns. that that we might have.

119
00:29:24.080 --> 00:29:35.010
Darien Shanske: so I will pass it off to you, Chris, for the last. you know preemption of of possible objections, and then we will open up to questions.

120
00:29:35.760 --> 00:29:43.419
Christopher S. Elmendorf: So so one one concern that's come up in in conversation with some people about this idea is that if

121
00:29:43.630 --> 00:30:10.249
Christopher S. Elmendorf: people whose land would be up zoned by an upsetting ordinance suddenly have to face a new tax, and they're gonna become a political opponents of the up zoning. And so the people who you think would be the biggest ally for an up zoning ordinance, namely, the owners of sites that would that would increase in value may may turn against it if they're worried about the parcel tax being being set too high.

122

00:30:10.470 --> 00:30:30.919
Christopher S. Elmendorf: but I think ultimately, I'm not so concerned about this objection. first, because, the owners of those high development potential sites. evidently aren't that influential to begin with? Or else they would have succeeded in getting them rezoned And rezoned without a big stack of impact fees and exactions.

123
00:30:31.160 --> 00:30:45.490
Christopher S. Elmendorf: And second they would be outnumbered in a in a city wide vote. And then, finally, I think that it is just a matter of common sense and practical politics any

124
00:30:45.490 --> 00:31:09.340
Christopher S. Elmendorf: up parcel tax that is designed to capture value or our finance infrastructure would, I think, be set at a level that at least anticipates the the size of the tax being significantly lower than the increase in value of the parcels O into the rezoning

125
00:31:10.790 --> 00:31:15.580
Christopher S. Elmendorf: Happy to take questions from Sarah or the Q. A. At this point.

126
00:31:17.080 --> 00:31:40.459
Sarah Karlinsky: great, thank you. So much. Super interesting. I have a lot of questions, but so to our audience, members, you got a couple of shout outs in the chat. This is giving me life, says Muhammad. this is ingenious. So lots of people really, really excited about this work. so I'm just gonna start going through the Q. A. I see some people are putting questions in the chat. But I would

127
00:31:40.460 --> 00:31:55.780
Sarah Karlinsky: ask that. You put your questions in the Q. A. Just so I can keep track of them. So I'm just gonna start with the first question, which is, do other states and localities do this? If so, can you share what you know about these areas and relevant impacts and outcomes

128
00:31:56.510 --> 00:32:03.569
Christopher S. Elmendorf: Gary. And why don't you take that as the as the resident expert on the State local government finance?

129
00:32:04.270 --> 00:32:20.619
Darien Shanske: I mean, let's see. this is a tricky one. On the one hand, I don't know of a tax exactly like this. to me that I mean, it's it's a it's a big country in a big world, but but but but it but it but it's a but part of the reason is that

130
00:32:20.730 --> 00:32:33.529
Darien Shanske: California is put itself in sort of a unique straight jacket. in terms of the difficulty, both in the urgency of the need and the difficulty of financing things. So, as I've explained, there are.

131
00:32:33.550 --> 00:32:53.379
Darien Shanske: California already. Has Belarus taxes. So it has a version of this for green field development. in other states where assessment. Law hasn't been as made as difficult as it is here. Assessments are, you know, can be used in various ways. to capture value and in some ways that they did. But

132
00:32:53.400 --> 00:33:14.089
Darien Shanske: but something exactly like this, where you're tying the up zoning to a a tax like this, I don't know of. an exact analog. I'm sorry. That's not a great answer, but I mean, I I I think in most normal states, if you want to do something like this, you would probably just tax the value conferred by up zoning rather than

133
00:33:14.320 --> 00:33:20.470
Christopher S. Elmendorf: taxing something that happens to be correlated with value. But isn't value.

134
00:33:21.120 --> 00:33:30.090
Darien Shanske: Yeah, that's right. And in general, again, if the property tax is working this should have been pre prop, 13, California.

135
00:33:31.260 --> 00:33:50.790
Darien Shanske: people who currently own, say, homes in a town and are paying the general property tax don't necessarily mind some of their general property tax going to build infrastructure to new development, because that new development is going to come in and they're going to start paying a lot of property tax. And it's all going to sort of even out in the end. The issue is that once

136
00:33:51.000 --> 00:34:09.929
Darien Shanske: the new development, because of Pop 13 is not going to be able to pay for its own set of services, a much less the infrastructure it initially needs. Now it becomes super important right to get it upfront. and so that itself is again is a special California artifact in terms of the need to to

137

00:34:10.000 --> 00:34:14.129
Darien Shanske: to make these projects pencil out. But before they start

138
00:34:15.159 --> 00:34:31.009
Sarah Karlinsky: great, I'm gonna jump around the Q. A. Jay had a really good clarifying question, which is actually a question I had to which is the question of, why does this require a citywide vote, you know, as compared to Belarus, where you just have a vote of the of the owners.

139
00:34:31.980 --> 00:34:37.849
Christopher S. Elmendorf: I don't think it requires a city-wide vote like you could create a mellow roost district within a city.

140
00:34:38.060 --> 00:34:49.300
Christopher S. Elmendorf: and or and and have a vote of the people within that district. I just think that it's less likely to work politically if you do it that way.

141
00:34:51.380 --> 00:34:54.740
Sarah Karlinsky: As to why.

142
00:34:55.100 --> 00:35:03.330
Darien Shanske: yeah, I I I know it. This is more a political question than a legal question. Belarus districts can be any shape.

143
00:35:03.360 --> 00:35:11.549
Darien Shanske: They don't have to be contiguous. There's no reason that San Francisco's version of the law couldn't have the same rules. And so

144
00:35:11.560 --> 00:35:13.869
Darien Shanske: if someone thinks that

145
00:35:13.990 --> 00:35:18.900
Darien Shanske: you know the San Francisco could instead create a set of

146
00:35:19.040 --> 00:35:22.459
Darien Shanske: how much you know San Francisco.

147
00:35:22.570 --> 00:35:35.860
Darien Shanske: value, or or or infrastructure financing districts? and have a set up a a, a series of two-thirds elections in those districts. I I don't think there's be any particular obstacle to that.

148
00:35:37.800 --> 00:35:48.500
Sarah Karlinsky: I guess the the reason that it the question comes to my mind is, just if you're talking really about sort of these high value parcels that you're pretty sure are going to redevelop.

149
00:35:48.910 --> 00:35:52.810
Sarah Karlinsky: It seems like they would potentially be incentivized to participate. But

150
00:35:55.600 --> 00:36:00.030
Christopher S. Elmendorf: I think you could do it either way. I mean, my my assumption is that the way it would

151
00:36:00.300 --> 00:36:10.569
Christopher S. Elmendorf: that we're what the politically more efficacious way would be to expand the electorate beyond the parcels, unless you again just talking about like a couple of

152
00:36:10.570 --> 00:36:30.649
Christopher S. Elmendorf: owners of sites who enter into an agreement with the city. Then you just do it in the melar ruse way. The problem is that Mellor Roost doesn't work for broad scale up zoning. And that's what we're talking about through any other effort to deal with housing shortages at scale. Right? We're not talking about negotiations.

153
00:36:30.650 --> 00:36:45.809
Christopher S. Elmendorf: case by case between the landowner or 2 neighboring landowners and city to enter into a development agreement. And pay some money in the city like that model exists, and that model works where you have

154
00:36:46.060 --> 00:36:55.270
Christopher S. Elmendorf: big tracts of land, of which there may be what 4 or 5 in the city, most of which are now subject to development, agreements like Treasure Island and Park, Merced and Bayview Hunter's Point.

155
00:36:55.290 --> 00:37:05.069

Christopher S. Elmendorf: But it's not a model that works where you want to up zone. Say, an entire you know, 2 miles or 3 miles of Geary?

156
00:37:07.390 --> 00:37:16.260
Sarah Karlinsky: Okay? There was another question. Darren, you had mentioned sort of a comparison to Eif Ds and other kind of

157
00:37:16.540 --> 00:37:37.289
Sarah Karlinsky: taxing. Yeah, I don't know if you know what to describe them like different mechanisms for for raising taxes and a district level, could you? Could you talk a little bit about the compare kind of compare and contrast between yeah, E. I, Fds, and this, and we should probably also explain what the Eif D is very briefly to for those who don't know

158
00:37:38.410 --> 00:37:41.719
Darien Shanske: store. let's see.

159
00:37:41.930 --> 00:37:58.410
Darien Shanske: So I'll take it to me. Probably take another step back. is that the So tax increment financing? It was it sort of a a up it an original method of land value capture pioneered in California, where the idea is you.

160
00:37:58.480 --> 00:38:10.839
Darien Shanske: you're going to use the additional value created by this new project. in order to finance the infrastructure project needs to begin with, and and tactic and financing. You know.

161
00:38:10.880 --> 00:38:40.110
Darien Shanske: I had a long history in California before Prop. 13, after prop, 13. They'll become super important, because again, now, you have this austerity regime where we're local governments are. are really hungry. for finding some way. But this. But the thing about tax income and financing after prop, 13 is a prop, 13 fixes property taxes at one right? So it fixes everybody sort of at a starvation, 0 sum game. And the reason why

162
00:38:40.180 --> 00:38:46.860
Darien Shanske: cities in particular, like tax increment financing was because it was essentially a way for them to take

163
00:38:46.890 --> 00:38:59.969

Darien Shanske: shares of that one from other local governments, particularly school districts which ultimately the State of California had to back Bill because of California State is responsible for for for public education.

164
00:39:00.160 --> 00:39:13.210
Darien Shanske: Eventually I forgot some very large portion of the property tax base got eaten up by tax increment, financing, and the amount of expense incurred by the State back filling the schools became sufficiently big

165
00:39:13.210 --> 00:39:35.079
Darien Shanske: that Jerry Brown, right? Got rid of of tax increment financing that we can. It's an interesting political morality. Tell there. But any event, they're gone. Eifds are kind of way to resurrect tax increment financing. And I I'll just just confess right off the bat. I have not studied them in detail, but the main thing about Eif is they don't bring more money to the table.

166
00:39:35.080 --> 00:39:37.229
Darien Shanske: They just let you promise

167
00:39:37.230 --> 00:39:45.399
Darien Shanske: some more of the stunted property tax and they don't let really, cities and counties scoop away

168
00:39:45.420 --> 00:40:10.879
Darien Shanske: property tax some other governments. So San Francisco, because it's the city and county gets a pretty big share of the one, and so when it promises it for a project, it means more than in other places in California. But it's not bringing in new revenue. And so it's not bringing in your revenue the way see development fees on a new project, would would bring in new revenue. But what our proposal is meant to do is bring in new revenue.

169
00:40:11.170 --> 00:40:18.110
Darien Shanske: like development impact fees. But in a way that's less distorting of market choices.

170
00:40:18.960 --> 00:40:25.789
Darien Shanske: is that? I mean, how does that seem? That's great. Yeah. Yeah. E. I, Fds are borrowing against future property tax revenue.

171
00:40:26.120 --> 00:40:27.000

Christopher S. Elmendorf: That's it.

172
00:40:28.570 --> 00:40:56.230
Sarah Karlinsky: Great. Thank you. So Tina had a suggestion. I'm curious to get your feedback on it. She writes, that you can tie implementing the tax to when the property owner pulls permits to redevelop their land as envisioned by the up zoning. So it's It's at the time, basically that the parcel is being put into more active use and curious to hear your thoughts on that suggestion.

173
00:40:56.350 --> 00:41:02.870
Christopher S. Elmendorf: because then then again, your choice to develop is the thing that triggers the obligation to pay the tax

174
00:41:03.140 --> 00:41:15.310
Christopher S. Elmendorf: right. So now you've got a new thing on the cost side of the ledger right when you're telling up the revenue and the cost of your project and your project becomes on economic or maybe come on economic.

175
00:41:15.830 --> 00:41:21.200
Christopher S. Elmendorf: And so our goal with this proposal is to separate the obligation to pay the tax

176
00:41:21.230 --> 00:41:36.239
Christopher S. Elmendorf: from the choice, to develop or not develop. And it's that separation that removes the disincentive to build that has been created by the existing forms of infrastructure and public service financing

177
00:41:38.250 --> 00:41:39.010
Sarah Karlinsky: great?

178
00:41:39.580 --> 00:41:50.129
Sarah Karlinsky: So I'm gonna ask Rebecca's question next. so she. She remarks that the paper discussed a per unit tax, and she was wondering about as per square foot

179
00:41:50.270 --> 00:42:11.549
Christopher S. Elmendorf: especially in cases where the limiting factor new zoning is at. They are. What do you think about that?

180

00:42:11.550 --> 00:42:31.709
Christopher S. Elmendorf: per square foot is both well grounded in the Mellor roofs. Precedent. Again, the Mellor's precedent, it is at least those examples I'm familiar with is not a tax on potential development, right to tax on the actual development. Once that house has been built, but the size of the Meller's tax is key to the size of the house.

181
00:42:31.710 --> 00:42:49.519
Christopher S. Elmendorf: Similarly, a tax on an up zoning plan. That's key to the amount of the building envelope like the potential square feet. seems seems like it would track the the the mellow roof precedent pretty closely.

182
00:42:49.520 --> 00:43:02.079
Christopher S. Elmendorf: and be you know it not wildly divorced from the benefit as well that the owner is getting from the site owners getting from the rezoning

183
00:43:04.500 --> 00:43:20.870
Sarah Karlinsky: great So I'm gonna go to Lewis's question. Lewis first wanted to let you know that he loves taxes. So he mentioned that in the chat? so he asks, can we spit ball and implementation problems? Quantifying land is hard enough. How do we objectively quantify land

184
00:43:20.970 --> 00:43:42.690
Christopher S. Elmendorf: use value for tax purposes. And what other implementation of implementation challenges, do you see? So I'll just say one thing off the bat about this, and then during can probably jump in with many more ideas. So if you were to do a special assessment on the value conferred by up zoning, then you would actually have to quantify that value.

185
00:43:42.970 --> 00:43:59.710
Christopher S. Elmendorf: If you were to do a land value tax, then you would have to quantify again the value of of the parcel of land under different zoning regimes. but the progressive parcel tax is again not a tax on value, so you don't have to quantify that

186
00:44:00.010 --> 00:44:04.299
Christopher S. Elmendorf: you might want to spit ball it as a sort of

187
00:44:04.640 --> 00:44:23.859
Christopher S. Elmendorf: check on like the fairness, the taxes. You might think it'd be really unfair if if somebody's parcel tax was like twice as big as the as the increase in the value of their

site owing to the rezoning. But again, there's no, it's not a tax and value. So it doesn't have to be grounded in any study of that of that form.

188
00:44:23.880 --> 00:44:25.949
Christopher S. Elmendorf: I think, as a practical matter

189
00:44:26.050 --> 00:44:31.699
Christopher S. Elmendorf: what the city would probably do is, it would probably say, well, this is kind of

190
00:44:31.720 --> 00:44:43.780
Christopher S. Elmendorf: what we would expect to get from impact fees. and I inclusionary fees over, say, a 25 year period under

191
00:44:43.920 --> 00:44:54.630
Christopher S. Elmendorf: this type of rezoning plan. and you know, maybe, that guess it would be wildly off, but the city would have some like budgetary target in mind.

192
00:44:54.690 --> 00:44:56.590
Christopher S. Elmendorf: and then it would

193
00:44:56.630 --> 00:45:09.549
Christopher S. Elmendorf: move from that budgetary target which again might be tied to historical precedent with impact fees and exactions or might be tied to a specific infrastructure plan. Move from that to okay.

194
00:45:09.600 --> 00:45:28.629
Christopher S. Elmendorf: Well, you know, we've created a million or 2 million or 3 million square feet of of building envelope with this up zoning plan, what's the what's the per square foot tax that would get us to that revenue target. that's at least my notion. But dary, and please jump in with your further thoughts.

195
00:45:29.150 --> 00:45:47.280
Darien Shanske: well, first of all, I I completely agree. and I think that that's one of the we can really important legal and policy benefits of having this be a tax and not an assessment. A tax by definition is not matched up to value And so it's all going to be just based on on

196

00:45:47.530 --> 00:45:55.730
Darien Shanske: discretion. and if I just question, is we just judgment on on on what the right value would be. And you could imagine.

197
00:45:56.110 --> 00:46:06.290
Darien Shanske: you know, changing the tax if it's raising, you know too much or too little for for the infrastructure. That's

198
00:46:06.430 --> 00:46:08.350
Darien Shanske: required.

199
00:46:09.110 --> 00:46:18.690
Darien Shanske: I would just also, you know, point out that you know some of these other voluntary tools say, like special benefit assessment law

200
00:46:18.960 --> 00:46:22.440
Darien Shanske: wouldn't desk to necessarily what wouldn't disappear

201
00:46:22.580 --> 00:46:43.809
Darien Shanske: right? So to the extent a developer comes with a project that requires some some unusual new infrastructure, improvement, and the cities like look, we budgeted for a certain amount of infrastructure. cost for these new projects. When you want something different, you could still use special benefit assessment to potentially right? So so it's not like

202
00:46:43.810 --> 00:47:01.540
Darien Shanske: the other tools would would disappear. and that there again wouldn't be a need to sort of maximize. the tax, the ideas to have it it it it'd be reasonable and and and and and and and I think again, one of the other lessons about

203
00:47:01.670 --> 00:47:14.480
Darien Shanske: Pop 13 is, you don't want to set your tax rate in 1,978, and have it not change for 50 years. Right? That's just doesn't make any sense. You need to have some flexibility. in in light of what actually is happening in the world.

204
00:47:16.460 --> 00:47:27.860
Sarah Karlinsky: There is a question about like the use of the land like, does it matter if it's residential versus commercial versus industrial, how do you think about

205
00:47:28.440 --> 00:47:33.189
Sarah Karlinsky: differences in in use? As it relates to this?

206
00:47:35.180 --> 00:47:42.120
Darien Shanske: I guess there are 2 different questions. I I and I'll pass off to Chris for the harder one I mean the the the easier one is.

207
00:47:42.410 --> 00:48:03.590
Darien Shanske: Are you allowed to have a tax that differentiates a parcel task like this between different uses. Well, you saw in the cannery example? it's common practice. And the answer is, yes, So we can make these distinctions. And then the practical question is, how do we want to make these distinctions? I think we offer this A B, 28 slide, because we think

208
00:48:03.710 --> 00:48:04.690
Darien Shanske: that

209
00:48:05.290 --> 00:48:21.849
Darien Shanske: the better policy choice as well as probably better political choice is to focus on upsoning along these commercial corridors. And that's as much as I'm going to say about that. I'll pass it off to Chris.

210
00:48:22.020 --> 00:48:23.350
Christopher S. Elmendorf: I I

211
00:48:23.580 --> 00:48:26.440
Christopher S. Elmendorf: I don't think this. I think if you

212
00:48:26.480 --> 00:48:32.459
Christopher S. Elmendorf: said, okay, we're going to do 6 plexes citywide on every parcel that's residentially zoned.

213
00:48:32.630 --> 00:48:59.759
Christopher S. Elmendorf: And we're going to Put that on the ballot, together with a proposal that every person who owns a resley residentially zone parcel pay a one time $30,000 fee as a as a parcel tax, reflecting the value that was, or as a as a contribution to future infrastructure that may be needed when their home is redeveloped into a sixplex. I think that would get like 5%, maybe

214
00:49:00.100 --> 00:49:05.789
Christopher S. Elmendorf: city-wide, maybe 10%. I don't know what's the hardcore. It's the hard core. You can be share of the electorate

215
00:49:05.850 --> 00:49:29.580
Christopher S. Elmendorf: I'd probably vote for it, but you know not many others. You and Lewis would vote for it. so I think, I think, yeah, I think this is a. This is a political judgment call, and that the kinds of up zoning that are going to work politically are up zoning that either very, very gentle like to use, which have been done statewide, or

216
00:49:29.750 --> 00:49:40.540
Christopher S. Elmendorf: are up zoning that are targeted at only small portion of the land area in the city that is most amenable to development.

217
00:49:40.750 --> 00:49:50.810
Christopher S. Elmendorf: and most of that would be lamb that's now in commercial or Pdr. On uses, not in residential uses

218
00:49:51.850 --> 00:50:11.220
Sarah Karlinsky: Lewis would like you to know that the you be share of the electorate is 105. So this is definitely going to work. I want to do this question. so Nico asks, wouldn't it be better to tie the plan changes, and up zoning that increase the value of land to additional public facilities. affordable housing.

219
00:50:11.330 --> 00:50:19.950
Sarah Karlinsky: Such provisions would also lower the value of the land, and no need to go to the voters. The Eastern Neighborhoods plan was based on such an approach.

220
00:50:20.150 --> 00:50:23.130
Christopher S. Elmendorf: Yeah, so the problem with the Eastern neighborhoods plan

221
00:50:23.300 --> 00:50:41.079
Christopher S. Elmendorf: is the same problem with exactions and impact fees and inclusionary zoning. That's basically what the Eastern Neighborhoods plan is. It's that's higher. I Z targets for Eastern neighborhoods, or I see requirements and other special fees that are paid if you choose to develop.

222

00:50:41.230 --> 00:50:44.140
Christopher S. Elmendorf: but are not paid, if you don't choose to develop it.

223
00:50:44.330 --> 00:50:53.299
Christopher S. Elmendorf: And the point is, proposal is to replace fees that are tied to the development decision right, and thus affect whether it makes

224
00:50:53.470 --> 00:51:17.460
Christopher S. Elmendorf: money, whether you can make money building on the site with fees that you have to pay whether or not you choose to develop. So the analogy for the Eastern Neighborhoods plan would be, imagine passing the User Neighborhoods plan without any additional impact fees, or I Z requirements, but instead, with an obligation that everybody who owns a

225
00:51:17.460 --> 00:51:36.059
Christopher S. Elmendorf: parcel in the Eastern neighborhoods that can be developed at a higher density pay some additional amount. Maybe it's 20,000 30,000 $40,000 to the city, amortized over, maybe a 20 year period of time reflecting the value conferred on their site.

226
00:51:36.060 --> 00:51:57.309
Christopher S. Elmendorf: by the neighborhoods plan, and then that money would be pooled and used for Eastern neighborhoods, infrastructure affordable housing, and all those other good things. Again, the idea is not to replace the public goods that were intended to be generated by the Eastern Neighborhoods plan. But to come up with a means of financing those public goods

227
00:51:57.390 --> 00:52:01.939
Christopher S. Elmendorf: that is not tied to the build versus don't build decision.

228
00:52:04.130 --> 00:52:04.830
Sarah Karlinsky: Okay?

229
00:52:05.200 --> 00:52:29.599
Sarah Karlinsky: I'm sure Nico will have more questions, but hopefully can follow up later. so Tim asks questions, and I'm not sure I understand this, but I'm gonna put it out there and see if it if you understand. So he asked. did you consider a core annexable? Cfd mellow with one parcel, and then the property owners vote to opt in

230
00:52:35.150 --> 00:52:38.710

Christopher S. Elmendorf: Darren. Do you want to take that? I'm looking for it.

231
00:52:38.980 --> 00:52:41.110
Darien Shanske: I don't have any

232
00:52:41.650 --> 00:53:03.059
Darien Shanske: objection to that. I mean Cfds under getting under current law, I mean, Tim seems to to know it. can be expanded. And people can. you know. So yeah, we could have one Cfd, and then to have it just be step by step. Different commercial property owners signed sign up for it. But I think

233
00:53:03.060 --> 00:53:31.349
Darien Shanske: again, I differ to Chris here that the issue is just a question of scale and political feasibility, that if you want to do up zoning of 3 miles of a commercial strip in order to meet your 80,000 unit requirement. as you know, a project by projects, you know. Parcel by parcel. Cfd, incremental increase isn't isn't going to to get you there, at least not in the time scale that we'd like to get there that seem right?

234
00:53:32.240 --> 00:53:33.190
Christopher S. Elmendorf: Yup.

235
00:53:34.210 --> 00:53:44.330
Sarah Karlinsky: So I just wanna go back to Nico's question from before Tim's. So Nico, just brought up in the chat that the Eastern Neighborhoods plan was based on additional fees.

236
00:53:46.000 --> 00:53:49.140
Sarah Karlinsky: Does that change your perspective on anything.

237
00:53:49.900 --> 00:53:58.359
Christopher S. Elmendorf: No, I mean, that's the problem. Like we keep passing additional fees. The fees are always tied to the bill decision.

238
00:53:58.770 --> 00:54:02.510
Christopher S. Elmendorf: and we end up in a world where the total stack of fees

239
00:54:02.930 --> 00:54:13.470

Christopher S. Elmendorf: is so high that it costs more to build than you can earn in revenue from selling your project on the back end, and so nothing gets built.

240
00:54:13.710 --> 00:54:19.269
Christopher S. Elmendorf: So we need to reduce the fees that are tied to the decision to build

241
00:54:19.370 --> 00:54:23.979
Christopher S. Elmendorf: and replace them with fees or other tax revenue

242
00:54:24.150 --> 00:54:25.770
Christopher S. Elmendorf: that is generated

243
00:54:26.070 --> 00:54:29.720
Christopher S. Elmendorf: from something other than the decision to build.

244
00:54:29.960 --> 00:54:32.010
Christopher S. Elmendorf: And one way to do that

245
00:54:32.080 --> 00:54:36.339
Christopher S. Elmendorf: which seems fair because it's actually capturing.

246
00:54:36.920 --> 00:54:53.890
Christopher S. Elmendorf: returning to the public value that is conferred by an upzoning plan. One way to do that is, with a parcel tax that is key to the potential building envelope that is created by an upstanding ordinance not necessarily the only way to do it, but in the prop. 13 world it's

247
00:54:53.900 --> 00:54:58.959
Christopher S. Elmendorf: like the most preceded way to do it. Thanks to mellow roofs.

248
00:55:00.280 --> 00:55:25.279
Sarah Karlinsky: okay, great I'm gonna move on Caleb had a question. which is actually a question that I also had. How would you suggest structuring the exemptions that you mentioned? Because that's one of the core concerns I have about a land tax is that you know they're just, you know, either their parcels that for other economic reasons, are enabled to transact. And then you're loading up fees.

249
00:55:25.290 --> 00:55:38.110
Sarah Karlinsky: or you know, you've got a low income property owner, and then, you know, all of a sudden they're they're struck with additional fees, and then they're sort of incentivized to sell, which is why

250
00:55:38.110 --> 00:55:56.819
Sarah Karlinsky: There are quite a few people who posted They can parcel tax in Oakland because they were concerned about black homeowners getting socked with a fee, and then turning over their land. So how? How would you suggest structural exemptions? And he asked specifically about exemptions for

251
00:55:56.830 --> 00:56:08.010
Sarah Karlinsky: low-rise multi-family. Let's just say, you know, owned by, you know, a lower income property owner in a zoning district that allows higher multi-family like how would you think about that?

252
00:56:10.060 --> 00:56:17.469
Christopher S. Elmendorf: Well, in San Francisco? I think that's really easy, because in San Francisco you can't demolish anything that's got a rent controlled unit in it.

253
00:56:17.540 --> 00:56:43.900
Christopher S. Elmendorf: And so any low-rise multi-family is going to be rent controlled property that basically it, you know, can't be touched. And so it should be exempted completely from a tax on the value or sorry, not on the value on the tax, on the potential square feet conferred by not zoning organs, because those potential square feet are purely fictional. If the existing property is rent controlled multi-family housing.

254
00:56:46.790 --> 00:56:55.130
Sarah Karlinsky: let's say it wasn't in a place with rent control just to make things a little trickier. What would you do if you were trying to do this in a place that didn't have her in control?

255
00:56:55.440 --> 00:57:21.780
Christopher S. Elmendorf: And then I think you have to decide like, what do you want like? Do you want that parcel to be redeveloped for higher density housing? If you do, then absolutely the parcel owner should have to pay it. And it's a great thing if the parcel owners induced to sell to developer, because that's the whole point right that our solar cells a developer, they cash in their family wealth. They buy an index fund, which is a much, much better investment than holding on to some, you know.

256
00:57:21.860 --> 00:57:35.460
Christopher S. Elmendorf: property that may fall down in an earthquake. That's a totally non diversified investment. They build their efficiently well for the stock market or some other way, and housing gets built on the site like that's a big win in my book. But

257
00:57:35.660 --> 00:57:47.789
Christopher S. Elmendorf: But, on the other hand, there might be like a reasonable political judgment that we don't want to have any redevelopment of sites where there's existing tenants, and then you make that judgment, and you exempt those properties entirely.

258
00:57:49.820 --> 00:58:05.199
Darien Shanske: I I I I just add here because I mean, this is not you know my, my core area, but it seems like there could be. you know, creative solutions here. Right? So if the concern is with, say, community stability. then

259
00:58:05.670 --> 00:58:28.719
Darien Shanske: you can have some rules where? as you build more denser housing. people in the existing community are going to have priority for some of that housing and and therefore they will have to pay the tax. So they have this other thing that they can use in order to stay to to stay in the community and stuff. So I feel like there are possible you know.

260
00:58:28.720 --> 00:58:53.490
Darien Shanske: creative solutions. Once you're not playing a 0 sum game, I think, like right now, it's like, how can you dislocate people? Because there's no place to go, because there's no housing, and I, I and I totally get that. But if there is housing being built. Now, you can say, well, we want you to stay. We're gonna we're going to enable that continuity because we actually have some place else for you to live, and

261
00:58:53.490 --> 00:59:03.350
Darien Shanske: 100 other people, because we're going to have a density development. Yeah, that's that's a great point. One thing that I would really love to see is that cities

262
00:59:03.350 --> 00:59:25.539
Christopher S. Elmendorf: invest in the development of housing that would be specifically for the purpose of providing temporary replacement housing for tenants who, under State law, have a right to return to their form of building when it's redeveloped, because under State law. Now, you could take that existing low rise, multi-family building.

263

00:59:25.550 --> 00:59:44.460
Christopher S. Elmendorf: and we develop it as higher density housing if the local zoning allows it. But the developer would have to offer a right of return to any low income tenant. However, if the project takes 3 years, 4 years to complete the low income tenant has moved to Texas, are they going to exercise the right of return? Probably not.

264
00:59:44.530 --> 00:59:54.299
Christopher S. Elmendorf: On the other hand, if the city had invested in a stock of housing that could be temporary replacement housing, then that right of return becomes I think, more meaningful.

265
00:59:55.740 --> 01:00:16.369
Sarah Karlinsky: Well, I think we are right. At 60'clock I tried to get get to at least one question from every person who put questions in the Q. A. I want to thank you most so much. This is kind of interest in this topic. And you know, we really look forward to hearing where this goes next. So thank you very much for being with us tonight.

266
01:00:17.590 --> 01:00:35.060
Christopher S. Elmendorf: thank you for having us. Yeah, this is, this is great. And again, the the version of the paper that we posted was super preliminary. It will, it will see many more revisions, and many of those revisions will benefit from the from the feedback that we received this evening. So thanks so much. Everybody