Land Value, Land Tax, Land Trust

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S.F. Bay Area is a High-Rent Regional Market

Median Rent, 2014
(American Community Survey)
High Rents Are Not Economically Necessary

Non-profit housing typically costs $550 to $750 per unit per month for operating expenses, reserve set-aside and resident services. Bay Area rents are far above what is necessary for older housing where construction costs were paid off years ago. In a fully competitive market, rents are minimum necessary to profitably operate and maintain rental housing. This is not the case in the San Francisco Bay Area.

A Massive Transfer of Income from Tenants to Real Estate Investors

Berkeley rents now $100 million a year above the level needed for a fair return. The total value of rental properties increased by over $1 billion. If the government proposed to tax all tenants $5,000 a year and give the money to landlords everyone would be outraged. Instead, government creates property rights that give landlords the power to charge land rent, we call it “the market”, people accept this as normal.

Keeping Publicly Created Value for the Public
We, the public, are morally and legally entitled to regulate or recapture the value the public has created instead of allowing real estate investors to take it all for private profit.
Regulate with rent control.
Tax land/location.
Exactions from new development.
Taxes on existing rental housing.
Own the land: community land trusts, coops, non-profit housing orgs, government.

Increase Berkeley’s Business Tax on Landlords to Fund Affordable Housing

Berkeley has a business license tax of 1.08% of the gross rent for residential rental properties with 3+ units.
A 1.8% increase (average cost $30 per unit per month) to a total of 2.88% would bring in $4 million annually with exemptions, rising as rents increase.
The tax increase could not be passed on to tenants.
Not subject to pass-through in rent stabilized units.
Owners of uncontrolled rents may claim would pass it on, but they will raise rents anyway if market allows.
Tax would come out of the windfall profits from rising land rents.
Key Political Considerations

- Can be approved by majority-vote as a “general” tax.
  - Similar to “soda tax”, committee of experts on affordable housing & homelessness prevention advise Council on spending the money.
- Berkeley City Council will hold workshop on Nov. 17th to discuss tax level, exemptions, opinion poll.
- Exempt “old rent control” units with pre-1999 tenants, inclusionary and non-profit units.
- Exempt current small, low and moderate income landlords.
- New construction temporarily exempt from increase for 10 years after certificate of occupancy.

No matter how high the rent...

Landlords argue that raising the tax on rents is unfair, singles out landlords, some barely making it. Some buyers pay so much for a rental property they have a low or negative cash flow after paying the mortgage. Some long-term owners take profits from the increased value of a property by borrowing so much that they have a low or no cash flow after paying the mortgage, often to buy more properties. Then they complain they’re hardly making any money but no matter how high the rent, cycle continues. Tax the rent, create social housing, esp. land trusts and take housing out of this vicious cycle.

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