

Still Loading... Land Value Tax in Los Angeles

Land Value Capture and Equitable Internet Access



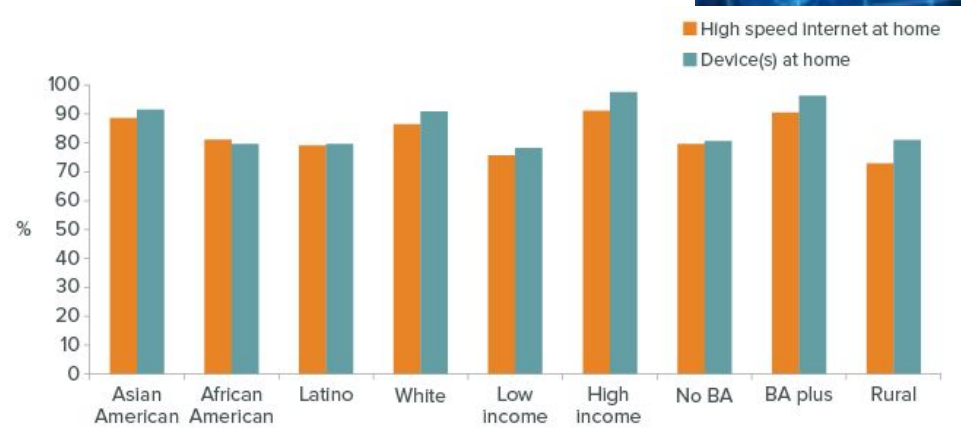
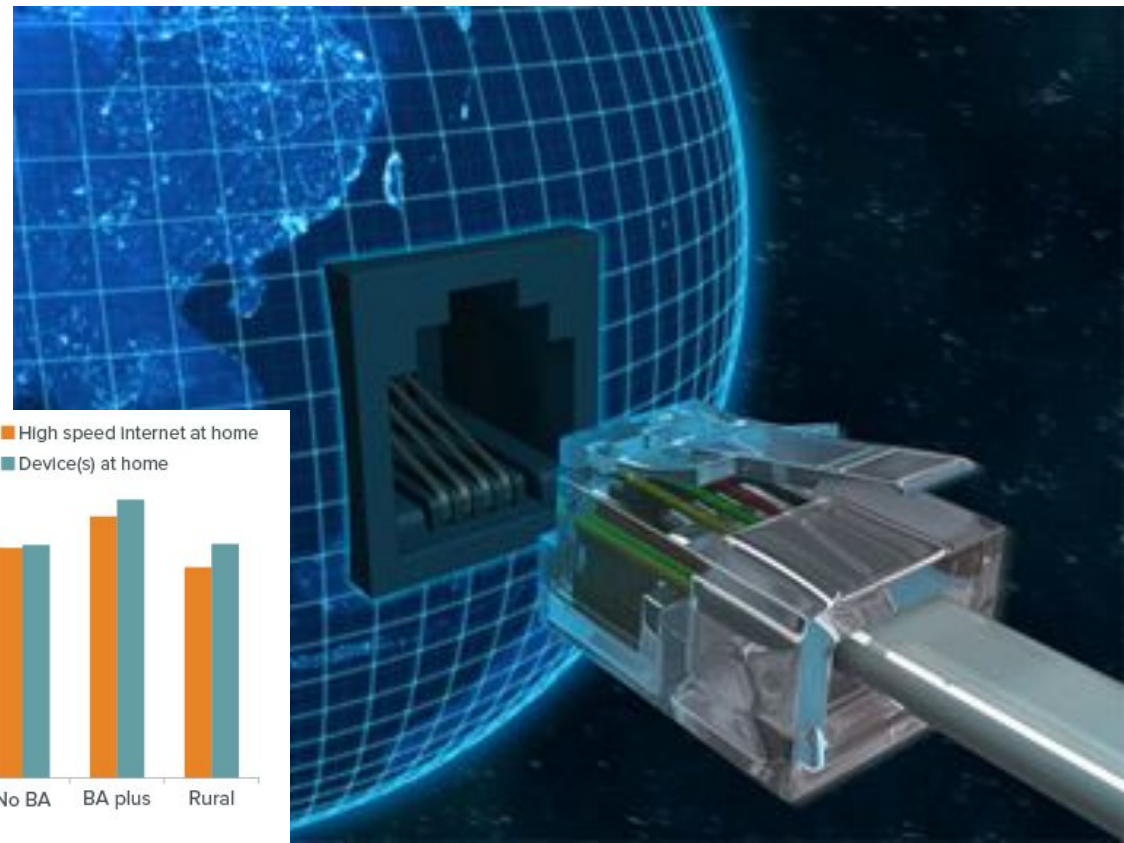
Los Angeles, California

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A digital divide exists in Los Angeles, which creates negative externalities for residents



<https://www.ppic.org/publication/californias-digital-divide/>

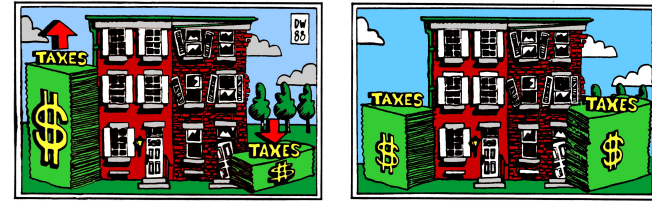
Internet connectivity increases land values by 2.8%, high speed connectivity improves land values by 3.8%.

Land value increases justify this program before including the social benefits from increased connectivity.

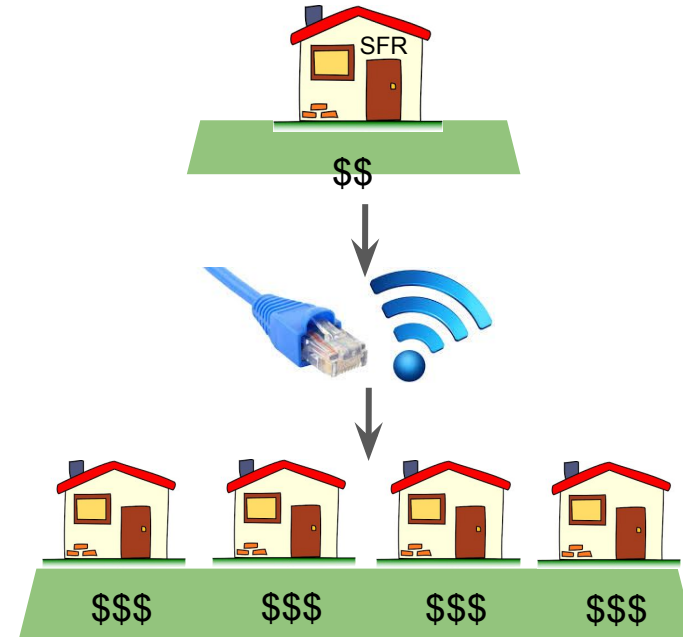


Location	Los Angeles County	City of Los Angeles	Los Angeles USD	Anaheim	Long Beach
Program Revenues		2,195,352	152,432	91,069	171,448
Property Taxes	7,879,638	2,251,463	2,678,471	86,256	221,007
Utility User Fees	43,590	621,192			34,898
Business Taxes		607,786			
Sales Taxes	503,546	607,211		76,851	138,598
Other Taxes	388,445	819,807		131,531	69,192
Investments	238,439	86,819	34,632	15,371	14,172
Other	85,688	134,866	25,729	100	
Grants		1,833,706	2,037,577	201,941	235,769
Transfers	-1,123,224		4,230,591		
Total	8,016,122	9,158,202	9,159,432	603,019	
Fiscal Year	FY2019	FY2019	FY2020	FY2020	FY2019
Source	https://auditor.lacounty.gov/wp-content/uploads/2021/03/Comprehensive-Annual-Financial-Report-FY-2019-2020.pdf	https://lacontroller.org/wp-content/uploads/CAFR-FY19_1.31.20_Full.pdf	https://achieve.lausd.net/cms/lib/CA01000043/Centricity/Domain/328/LosAngelesUnifiedRpt20%20-%20secured.pdf	http://www.anaheim.net/ArchiveCenter/ViewFile/Item/831	http://www.longbeach.gov/globalassets/finance/media-library/documents/city-budget-and-finances/accounting/cafr/fiscal-year-2019-cafr

How can we use Land Value Tax to fund infrastructure improvements in LA?



1. Impose citywide Land Value Tax
 - a. Providing service that improves land
2. Collect tax to fund improvement
3. Implement PPP: Special Purpose Vehicle → internet access
4. Build infrastructure
5. Land Values Increase
 - a. Potential for Land Value Capture for future maintenance based on property increases related to improvement



Why not a TIF?

LVT is a **negligible, one-time tax** that will **guarantee an increase in property value** through provision of infrastructure

vs.

TIF's use **anticipated future tax revenues** that result from new development to finance projects **incrementally over many years**



Los Angeles is roughly **500 square miles**

We estimate a **grid of 8 miles** of fiber to cover each square mile

Each mile of fiber costs roughly \$27,000 to lay; we assume \$50,000 per mile

Calculation suggests that coverage for **each square mile requires \$400,000**

In total, we estimate a **total cost of \$200,000,000** to cover all of Los Angeles

As a result, we recommend raising **\$200,000,000** via land value capture taxes on top of existing taxes

The City of Los Angeles raises **\$2.25B** a year in property taxes, generally at 1%

We estimate **\$225B** in assessed value for property in the City of Los Angeles

We estimate that **roughly 30% of assessed property value** is land value

We estimate **\$67.5B** in assessed land value in the City of Los Angeles

Levying a **0.3% land value tax for one year** will produce **\$202,500,000** in revenue.

As a result, we recommend **levying a citywide 0.3% land value tax for one year.**

Externalities to Consider:

- Elimination of free market competition
 - The lack of competition prevents other municipalities in that region from benefiting from the services of the private provider
 - Economic theory finds that competition is not determined by the number of competitors but by the capacity of the marketplace
- Lead to higher taxes if proposed land value tax isn't sustained
 - Government broadband networks are very costly to build and maintain compared to private sector networks
 - More cost effective to subsidize private-sector internet providers instead of the government getting into the business themselves*

Cost/Benefit Analysis

Four main topics points		Cost	Benefit	Summary
1	Education	X	✓	<ul style="list-style-type: none"> • Access to marginalized communities • More flexibility to online, subsidized learning <ul style="list-style-type: none"> ◦ Negative externality as some disabilities can make it harder to learn
2	Economy	✓	✓	<ul style="list-style-type: none"> • Improved Business Structure • One-time cost and annual expenditure up keep, w/ value capture benefit • Human capital investment
3	Public Safety	✓	✓	<ul style="list-style-type: none"> • Decrease in Crime • Big Brother effect; Cyber security concern • Increase response time from fire, police and medical access
4	Public Services	X	✓	<ul style="list-style-type: none"> • Increase in efficiencies in delivery public services • Enhances visitor/tourism experience • Access to e-government services (ie. DMV)

Thank you!

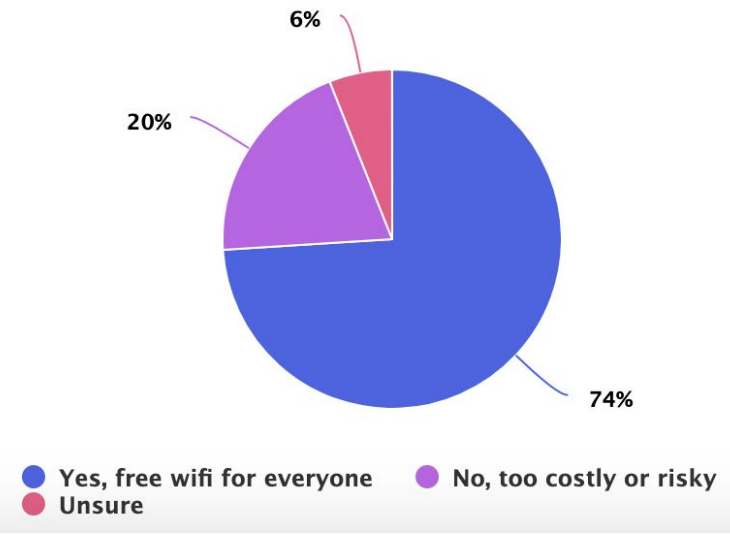
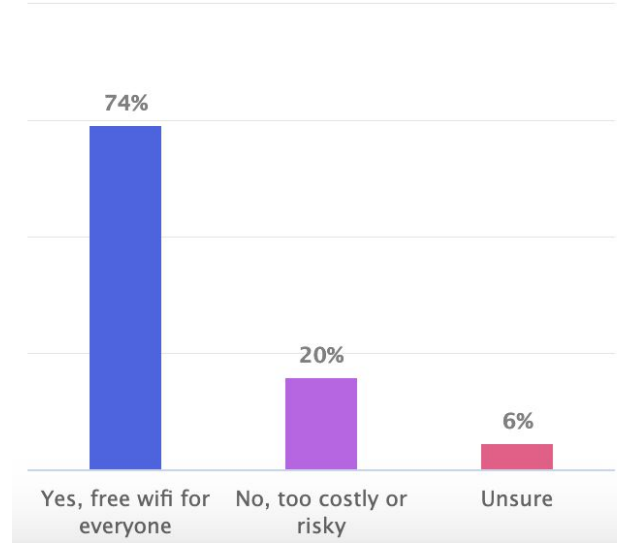
Questions, Comments?

Please see following appendix slides for relevant supporting information

Online Survey with the cohort serving Los Angeles County taken February 2021

Voting results

Should cities offer free public WIFI access to their citizens despite its high cost?



Category	Area (in SqF)	Number of ADUs	Base Property Tax	Additional Land Value Tax
Reasonable Use	5,000 or less	0	1%	0
Baseline	Up to 8500	1	1%	1% of %25 of potential assessed value with ADU
Incremental	Each additional 5000	1	1%	1% of %25 of potential assessed value for each ADU