Title
Value Capture Reconsidered: What if L.A. was Actually Building Too Little?

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Publication Date
2021-06-17

UCLA Lewis Center for Regional Policy Studies

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JUNE 2021

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Acknowledgments

I thank but do not implicate Paavo Monkkonen, Mike Lens, Shane Phillips, and Mott Smith.

As a land grant institution, the Lewis Center for Regional Policy Studies at UCLA acknowledges the Gabrielino/Tongva peoples as the traditional land caretakers of Tovaangar (Los Angeles basin, So. Channel Islands).

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Abstract

Should cities only allow new housing on the condition that the developers of that housing deliver public benefits in return? This idea is often called "value capture", and is used to justify — among other things — various forms of inclusionary zoning. I argue in this essay that value capture is conceptually and logically flawed. It rests on the idea that new housing is not by itself a public benefit, and on the assumption that not building housing is socially harmless. Most of all, it inverts one of the most important insights in urban economics and urban public finance: that value rests primarily in land, and that development is an important way to share and redistribute land value. Value capture mechanisms that are triggered by development tacitly punish landowners who share land value, and tacitly reward owners who withhold it. The fair and efficient approach to value capture involves taxing land, not development, and encouraging rather than discouraging the production of new homes. Contemporary value capture, in contrast, provides a veneer of redistribution but serves primarily to protect most urban wealth from redistribution.

Value Capture Reconsidered: What if L.A. was Actually Building Too Little?

Los Angeles has a housing crisis, and at the root of that crisis is a shortage: more people want to own or rent housing than there is housing available. The shortage, in turn, is largely a product of regulation. Adding new housing in Los Angeles is hard, particularly in neighborhoods where people most want to live.

In large swathes of Los Angeles County, including huge chunks of the job-rich Westside and big portions of the San Fernando Valley and Mid-City L.A., nothing can be built but detached single-family homes. In other parts of the county, local governments do allow multifamily housing, but use different restrictions — height and density limits, or parking requirements — to constrain building. As a result, the region's valuable land ends up underused. Parcels where five or six housing units are feasible hold only one. Parcels that could hold 20 hold 15. And so on. On any given parcel, these differences might seem small. Multiplied over millions of parcels, however, they create a large housing deficit, which makes the region more expensive.

A straightforward solution to a shortage caused by stringent rules is to make the rules less stringent: make it easier to build homes. Several advocates and policymakers, in recent years, have proposed reforms to do just that. These proposals, which go under the broad umbrella term of "upzoning," usually involve identifying a particularly onerous restriction (height limits, parking requirements, floor area ratios, or single-family-only provisions) and suggesting this restriction be relaxed or removed.

Not everyone likes upzoning. Some opposition, unsurprisingly, comes from people who just don't like development, or don't want to see their neighborhoods change. But some comes from a less-expected direction: advocates concerned about housing affordability. The concerns of this latter group partly reflect a peculiarity in the way California cities — and many other expensive places — use zoning to influence housing affordability. These cities use strict rules to limit the total number of homes that get built, which makes housing more expensive across the board, but *also* use those same strict rules to ensure that a small proportion of the new homes allowed are affordable. The rules thus drive up prices, but also protect a small number of people from the rising prices they help create.

The way this process works varies from place to place, but the gist is as follows: A developer has a project that would not be feasible under the current, strict zoning. So she asks the city for some sort of regulatory relief — less parking, more height, more units — to make it pencil out. The city agrees, but only on the condition that the developer sets aside some portion (maybe 10%) of the housing she builds as affordable for low-income tenants. The cities, essentially, run a trade in development rights: they create and preside over development restrictions, but will also relax those restrictions if developers deliver them benefits — like subsidized affordable housing — that they want.

This process is often called “value capture.” The idea behind value capture (at least in this telling) is that cities, when they allow more development, are creating value. Most of that value, if the city does nothing else, will go to developers.[1] The city can, however, take additional steps and “capture” some of the value it has created, and make sure it is used for public benefit. Translated into policy, this often means that cities should only make it easier for developers to build market-rate units (enabling private gain) if they also build some low-income units (delivering public gain).

Upzoning, conceivably, can jeopardize this form of value capture. Value capture is a negotiation, and negotiations hinge on leverage. Cities get leverage by restricting development, and particularly by restricting development in neighborhoods where developers most want to build — the places where housing demand and housing prices are highest. If cities don’t keep their baseline zoning low or other requirements high in these areas, developers will need to make fewer requests, and cities will be able to make fewer demands.

These circumstances combine to create what has become something of a pattern in development politics. Someone proposes an upzoning, and various advocates — while agreeing that in principle the city needs more housing — worry that any policy that *just* allows housing would forfeit an opportunity to capture value, and perhaps amount to a giveaway to developers. Some quick examples: as I write this, the California legislature is considering Assembly Bill 1401, a bill that would prevent local governments from requiring parking spaces for developments near transit. Parking requirements are notorious obstacles to infill housing, and almost no one defends them on their merits, but some affordable housing advocates, along with the California chapter of the American Planning Association (APA), worry that simply abolishing parking requirements would deprive cities of an important lever to get affordable housing built. The California APA made the same argument when similar laws were proposed in 2011 and 2012, and in 2020 when changes were proposed to the state’s density bonus law. “Our organization,” the APA wrote, “supports providing

1 There is another, related conception of value capture that ties developer obligations not to zoning changes but to direct public investment (such as building a rail station). The basic idea is the same.

higher density and other benefits in exchange for higher levels of affordability in projects." Its concern, it later reiterated, was ensuring that a law "wouldn't provide additional benefits without additional affordability."

The APA is hardly alone in this worry. When Los Angeles, in 2011, considered eliminating parking requirements in the specific plan for an area near downtown, a nonprofit organization objected: doing so, it said, would "undermine" affordable housing by "giving away density and parking reductions." Fast forward 10 years to discussion of a proposal to upzone Hollywood. A coalition of local activists and affordable housing advocates argued that it would be preferable to keep Hollywood's allowed density low, thereby maintaining the ability to negotiate with developers and get new affordable units. Or consider a proposed upzoning in San Diego, in 2019, which opponents said would give developers density but get the city "nothing in return." Housing activists in New York City have decried upzonings that "have boosted developers' profit margins getting next to nothing in return [for the public]." Perhaps most dramatically, in 2015 a UC Berkeley professor called the Bay Area municipality of Redwood City a "villain" in the region's housing crisis, because it proposed to rezone for 2,500 new units of housing downtown, but didn't include any value capture. The city was thereby "giving away density to developers without mandating inclusionary housing."

In part because value capture is common, and because many people *do* support efforts to build more subsidized housing, this sort of rhetoric can seem entirely normal. But if we take a step back, the framework underlying it is puzzling. If a city reacts to a housing crisis by making it easy to build more housing, is it really a villain? If it is, what should we call a city that *doesn't* build housing? Was Redwood City, by rezoning its small downtown for 2,500 more housing units, causing more problems than nearby Piedmont, which despite sitting square in the middle of the East Bay has built all of 30 housing units in 10 years?

Similarly, while calls for "inclusionary zoning" sound sensible, inclusionary zoning as U.S. cities practice it is a bit of a misnomer. It is not, its name notwithstanding, an antidote or antonym to exclusionary zoning. "Exclusionary zoning," as most people understand it, refers to land use regulation established to exclude people of color and low-income households, usually by allowing little to be built, and often by drastically restricting — frequently outright prohibiting — apartments and other multifamily development. Given this fact, the opposite of exclusionary zoning is zoning that *allows* multifamily development. If prohibiting apartments is exclusionary, allowing apartments would be inclusionary. Another word for allowing apartments, of course, is upzoning.

Put bluntly, conventional value capture is completely backward. It targets development, even though the problem it wants to solve is caused by development's absence. It mistakes development as the source of value, when the real value in urban areas lies in land.

But inclusionary zoning in the United States doesn't do this. Inclusionary laws do not compel low-density places to accept more density. Sometimes inclusionary is used as a condition for more density (we will allow more apartments if some of them are affordable) but more often, and more importantly, inclusionary is conditional *on* density. The typical IZ law says that *if* a city allows apartments, then the people who build those apartments must provide some affordable housing. This means that inclusionary zoning cannot combat exclusionary zoning. Indeed, a surefire way for a city or neighborhood to protect itself from low-income housing is to just double-down on existing exclusionary zoning policies, because those policies are *not* what trigger value capture. Value capture only occurs in places that have started down a more inclusive road already, by letting apartments be built. A place that stays zoned only for single-family homes, or that builds nothing at all, will suffer no inclusionary or value capture obligations.[2]

That's confusing, and the confusion exists because value capture as most cities practice it today (what I will call "conventional value capture"), is confused. Put bluntly, conventional value capture is completely backward. It targets development, even though the problem it wants to solve is caused by development's absence. It mistakes *development* as the source of value, when the real value in urban areas lies in *land*. By taxing development rather than land, conventional value capture pits two groups of people who by definition ameliorate housing scarcity — developers of market-rate housing and developers of affordable housing — against each other, while quietly protecting, through an implicit subsidy, the vast majority of landholders who are content to let housing scarcity persist. It taxes the action we want and rewards the inaction that causes our problems.

2 A related point: if a city has some land zoned for multifamily housing, but would prefer to see that land not developed, or at least not developed intensively, one way it can do so is by making multifamily development on that land more expensive: by, for instance, adding an inclusionary requirement.

To be clear, I am not making a blanket argument against value capture. Value capture is important. Conventional value capture, however, bears little resemblance to value capture's original (and correct) conception, the one first explicated 150 years ago by the reformer and economist Henry George. George's great insight was that value rests in *land*. A growing economy, he said, would make land values rise; if those rising land values were not broadly shared, prosperity could, perversely, immiserate the average person, by creating high rents. Economic growth could thus reward some people despite their lack of effort, and make many people worse off through no fault of their own. This latter group would come to believe that they had been doing better when the economy was doing worse, and they would, tragically, look with suspicion on economic progress (this is a fair description of Coastal California then and now).

George's remedy was a tax on the value of land, which would do two things. First, it would raise money that could be redistributed, and fund services ordinary people wanted. Second, and equally important, it would encourage development, and development was itself a way to share land value. An acre of land with 40 apartments, each renting for $1,500 a month, is more accessible, to more people, than an acre of land with two $1 million homes. Development, to George, should not be a trigger for value capture, but instead a desired *outcome* of it. The proper target for value capture was not the landowner who was building but the landowner who *wasn't* — the hoarder and speculator.

Conventional value capture has taken George's wisdom and rotated it 180 degrees. Where George called for a universal tax on the value of land, modern value capture is a selective tax on the value of improvements. It is a value capture guided by conservatism and austerity, and laden with perverse incentives. Under conventional value capture, if I own land in Los Angeles and want to put 20 units of housing on it, I assume a special responsibility to house low-income households. If I leave the land empty, I owe low-income people nothing. If my land already has 10 housing units and I knock them over, I owe nothing. If it has a 35-year-old single-family home and I sell it to someone else for twice what I paid for it, I owe nothing. The only actions that trigger value capture, in short, are the actions that increase the stock of housing in a city with a housing shortage. So I am penalized for a private gain that has a social return (adding to the housing supply), and *not* penalized for a private gain with *no* corresponding social return (who besides me benefits when I flip a single pre-existing unit for a 100% profit?).

Go back to the concern articulated by the APA: that "additional benefits", or "additional density", should only be accompanied by "additional affordability." Statements like these imply that the benefits of upzoning, in the absence of value capture, do *not* go to the public, and that additional density (i.e., more housing) does not by itself enhance affordability. If this is true, then every new market-rate unit represents more money for developers, but a squandered opportunity for society, which could have gotten a below-market-rate unit instead. In this version of the world, it's easy to believe that market-rate and affordable housing are locked into a zero-sum competition.

But these two forms of housing are not in competition, or at least not in any way that substantially matters. It is certainly the case that housing subsidies need more funding, but it is not the case at all that market-rate housing is somehow to blame for this funding shortfall. It is also not the case, consequently, that market-rate housing is the appropriate place to find more money for affordable housing. Anyone searching for squandered opportunities to advance affordability should look not at new market-rate apartment buildings, but at the vast amounts of low-density land being turned into neither market-rate nor below-market-rate units. The real competition is not between market-rate and affordable housing, but between land that will be redeveloped and land that will be withheld. It is the latter, which is most land, that needs to be taxed.

The remainder of this essay has two parts. In the first section, I examine the claim, often implied and sometimes explicitly stated, that when a city allows new housing without a value capture mechanism like inclusionary zoning, it "gives away density" and gets "nothing in return." Embedded in this claim is the idea that new market-rate housing has no social value. I do not think this idea withstands scrutiny, and in the first part of this essay, I try to show as much. The essay's second section explains in more detail why value rests in land, not development, and why it is land value, and not development, that we should tax. In the conclusion, I suggest one reason we do not: a city that taxes land value is not just efficient but radical. It is a city that believes in sharing public wealth for public purposes. We don't have that city yet. But we could.

The Social Value of Market-Rate Housing

Suppose Los Angeles, or a city like it, changes its regulations to let more housing be built. Presumably developers will build that housing. In one respect, changing the rule means the city has helped developers. Under conventional ideas of value capture, this means that developers should, in turn, compensate the city.

Is this right? One way to think about this question is to ask if the city approaches other businesses the same way. If the city makes it easier to open restaurants, does it do so on the condition that the restaurateur runs a small food bank, or makes ongoing contributions to a nonprofit that fights hunger? Those are both outstanding things for restaurateurs to do, but cities don't require them in exchange for extra tables. Presumably, there is some intrinsic value to having a restaurant, and when people open restaurants we don't worry that they are getting away with something.

Another approach is to ask what cities should do if they make homebuilding *harder*. This is, after all, not an uncommon occurrence. Over the last 50 years, Los Angeles has changed its rules to restrict homebuilding far more than it has changed them to encourage it. At no point were these changes accompanied by payments to developers. But if making building easier helps developers, and warrants developers compensating the city, then does making building harder harm developers? If it does, does consistency demand that cities compensate developers for that harm?

If all that sounds crazy (and I think it probably does) we should at least ask why we have separate standards for developers and other businesses, and why our standards for developers differ based on whether our rules help or hurt them. In principle, these questions needn't be hard to answer. It may be, for instance, that allowing more housing (as opposed to more restaurants) creates social problems. Letting developers build hurts society, and preventing them from doing so doesn't. So the issue is not whether the developer is helped or harmed, but that development itself hurts the city.

Governments often approach pollution this way: under California's cap-and-trade system, for example, participants in many industries must pay the state if they are going to emit greenhouse gases. The state owes those same firms nothing, however, if it regulates them in a way that reduces emissions. Most people don't think California is unfairly picking on these firms, or subjecting them to a double-standard. The state is simply holding them accountable for the social consequences of their actions. If the state lets them pollute, they are imposing social costs, so they need to pay. If it doesn't let them pollute, the firm might be harmed, but the state is only concerned with the social costs of pollution. The social cost disappears, so no compensation is required either way.

Now, that logic probably isn't perfect — a good lawyer or economist could probably argue that that the state *is* being unfair to these firms[3] — but for the moment let's accept it. Can we use the same reasoning in our approach to housing development? We can. But doing so asks that we believe housing is like pollution: that it doesn't help Los Angeles, and probably harms it. And here we have a problem, because if that's true, Los Angeles can't have a housing shortage. California's cap-and-trade program is premised on the idea that the world has a *surplus*, not a shortage, of greenhouse gases. The state understands that allowing more emissions will lead to disaster. Is that also true of housing? If it isn't, and Los Angeles has a housing shortage, and the shortage causes social problems, then building more housing, by alleviating the shortage, must deliver social benefits. If we establish that housing itself benefits society, however, it becomes less tenable to say that developers owe society something in exchange for the housing they get to build. The city "gets something" in the form of the housing itself.

3 A famous idea in economics, called the Coase Theorem, suggests that splitting up private and social harms is often harder than it looks. A firm that pollutes harms society, but a society that restricts pollution harms the firm. Both harms are real, and need to be considered. For our purposes in this essay, we can set that point to the side, since ignoring it strengthens the case against market-rate housing.

In fairness, that reasoning doesn't settle the matter. One could counter by saying that Los Angeles actually *doesn't* have a shortage of housing. It has a shortage of *affordable* housing. Among people opposed to development, this is in fact a prominent talking point.[4] California cities, in this telling, are "overproducing" high-income, expensive housing, but underproducing the type of inexpensive housing that most residents need. If that's so, perhaps added density really doesn't deliver social benefits. And in that case, it may be appropriate, when we let new development occur, to require the developers building expensive housing we don't need to also supply the affordable housing we do need.

There's an intuitive appeal to this reasoning. New housing often *is* expensive, and it's easy to look at expensive new housing and wonder how it can help our affordability problem. But intuitive reasoning isn't always correct reasoning. New housing will almost always be more expensive than older housing, for the simple reason that a new housing unit cannot profitably sell for less than it cost to build it, while an older housing unit can. But the fact that California produces more high-priced than low-priced housing isn't evidence that we produce "too much" high-priced housing.[5] Demonstrating an oversupply would require evidence that more high-priced housing is being produced than there is demand for it, and little evidence suggests this is the case.[6] Indeed most of the people moving into California are higher-income, while most of the people moving out are lower-income. That's no coincidence. Because we don't produce new housing for affluent in-migrants, those in-migrants bid up the price of older housing, giving lower-income residents fewer options and forcing many of them to leave. Building new housing is a way to keep old housing affordable. In Los Angeles, the rents in a 25-year-old apartment building are not stabilized

4 For instance: "With regard to the first point, and this can't be emphasized enough, we don't have a housing crisis in San Diego, we have an AFFORDABLE HOUSING crisis, which Measure E does nothing to address." See here.

5 Sometimes observers rely on California's deeply flawed state planning process to argue that the state is producing "too much" market-rate housing. That process estimates a "need" for different types of housing, and dings that California consistently builds more high-end homes than this "need" suggests. No one knows how much housing California "needs" any more than they know how many eggs or hamsters or Humvees the state needs. What's clear, based on high prices and low vacancy rates, is that the demand for housing in California is extremely high.

6 High vacancy rates for new multifamily housing are sometimes used to make this argument; we are building housing for the rich and it is sitting empty. While there have been isolated instances of ghost buildings going up, little systematic evidence bolsters this concern, and in any event it's important to remember that outside New York City, truly rich people don't move into new multifamily rental housing. They buy detached single-family homes. Two-thirds of the households in L.A.'s top income quintile own a detached single-family home. Even if lots of new multifamily housing is vacant (and remember, it isn't) that's vacant housing for young members of the upper middle class, not the rich.

by law. Putting up new apartment buildings down the street, however, can help stabilize rents in practice.[7]

Probably lots of readers have heard that argument before, and if experience is any guide probably a fair number don't believe it. So here's a slightly different way to think about the issue. Suppose we believe that new housing, because it's expensive, can't help solve the housing crisis. Only low-priced housing can do that. If we believe that, we should also believe, by extension, that high-priced housing of *any* age won't help solve the crisis. The existence or absence of expensive housing, in other words, should be immaterial to affordability. It would thus be true that building new expensive housing won't help, but also true that demolishing existing expensive housing won't hurt. Which means that we could, for example, take down any L.A. apartment that rents for more than $2,200 a month, and demolish any owner-occupied unit valued at $1 million or more, without making affordability worse for the city's vulnerable renters.

Keep in mind, when you consider this proposition, that Los Angeles has a *lot* of older, expensive housing. Census data show, for instance, that just under 20% of the county's rental units cost more than $2,000 per month. The vast majority of these aren't new. Only 6% of these expensive units, in fact, have been built since 2010. Most of L.A.'s expensive rentals are older units that used to be cheaper; they are high-end units produced by appreciation, not by high-end development. The same is true for owner-occupied homes. About 27% of L.A.'s owner-occupied homes are valued at $1 million or more. Only 12% of that 27%, however, were built after 2010. Fully 53% of the county's million-dollar homes were built before 1970. A lot of new housing is expensive, but most expensive housing isn't new.[8]

The sheer prevalence of older expensive housing makes it unlikely that Los Angeles's vulnerable residents would be unharmed if the city made its expensive homes disappear. When housing is in short supply, it is high-income people who are least likely to leave, and because they don't leave, expensive housing can always replace itself.

7 An interesting aside is that the same UC Berkeley research center that criticized Redwood City for allowing 2,500 units of market-rate housing has also released research suggesting that market-rate housing helps reduce displacement. Affordable units, according to this research, are twice as effective as market-rate units at preventing displacement, but market-rate units do increase, not impede affordability. Indeed, if we take the research literally, it suggests that two market-rate units do the work of one affordable unit, and that if California is short x affordable housing units, it could address that shortage by building 2x market-rate units. We could also infer that Redwood City, in its downtown plan, was zoning for the equivalent of over 1,200 units of affordable housing. One wonders, had it actually done that, if it would have been criticized as villainous.

8 These figures come from the 2017 1-year ACS, courtesy of the University of Minnesota's IPUMS database.

To illustrate: if we knock over the condo of a highly paid lawyer, the lawyer herself won't vanish. Eventually, she might move to Utah or Fresno, but since her job is still here, her likely first course of action will be to take her considerable paycheck and find a place to live in a nearby apartment that's still standing. Many of her highly paid colleagues will probably do the same. The remaining apartments, remember, are still standing because they are cheap. But they won't be cheap for long, because one thing keeping them cheap was the fact that all the highly paid attorneys lived somewhere else. With the attorneys dispossessed (but no less well-paid), the landlords of the cheaper buildings would suddenly and happily find themselves at the center of a bidding war, which would turn them, in short order, into landlords of expensive buildings.

If we believe that cheap housing matters and expensive housing doesn't, and we act on that belief, our primary accomplishment will be to make our cheap housing expensive. And once that housing was expensive — if we wanted to stick to our guns — we'd have to conclude that this housing *also* did nothing for affordability, and that demolishing it would be harmless. At the extreme, we could reason our way to knocking over all the housing in Los Angeles, insisting as we did that each incremental demolition had no impact on affordability.

Obviously, this example is fanciful: no one is proposing a mass demolition of market-rate units. But the example matters nevertheless. When a region's jobs and population are growing, the price effect of preventing new housing from rising is little different from that of taking existing housing down. In both cases, housing becomes less available relative to the number of people who want it.[9] In the latter case, the population stays the same but the amount of housing falls. In the former case — which is more realistic — the demand for housing grows while the amount of housing does not. Both cases result in upward pressure on prices.

That price pressure means regions can "produce" expensive housing without building anything at all. New people arrive, drawn by high-paying jobs, and since there isn't new housing for them

9 People sometimes resist the idea that not building new homes is functionally equivalent to taking down existing homes. The point to remember is that we are talking about effects on price. New and existing homes obviously differ along many dimensions, but both contribute to the overall housing supply. At this point a skeptic might pounce, and say that new housing is more expensive. But remember that the discussion explicitly controlled for price: lots of old housing is every bit as expensive as new housing. The skeptic could respond by conceding that expensive new housing helps, but only to a point, and Los Angeles has reached that point. This argument still stumbles on the fact that old housing can and does appreciate. An absence of development will "produce" new expensive units by making the price of cheap units rise. Suppose we accept that Los Angeles has "just enough" expensive housing and doesn't need more. Now imagine that a longtime tenant moves out of a rent-stabilized unit, causing the rent to float from its controlled price of $1,400 a month to a market price of $2,200. Without any development at all, the city has a "new" expensive unit. Would it be harmless, at this point, to demolish that rent-stabilized unit?

to move into, they outbid lower-income people for existing housing. Go back to those pre-1970 homes in Los Angeles that today account for the majority of the region's million-dollar units. These dwellings were not, for the most part, built for the rich. They were built for L.A.'s postwar middle class. We can see as much if we examine census data from the year 2000. Twenty years ago, only 4% of owner-occupied homes built before 1970 were valued at $1 million dollars or more. Between 2000 and 2016, however, L.A.'s economy grew 37%, while its housing stock grew only 9%.[10] By 2016, as a result, the share of pre-1970 homes valued at $1 million dollars or more had tripled, to 12%.[11] The houses themselves didn't change, or at least not much. What changed was the demand for homes, which rose. When demand rises, something else has to rise as well. It can be supply, or it can be price. In Los Angeles, it was the price. And the rising price turned homes built for the middle class into housing beyond the reach of all but the affluent.[12]

The upshot here is that if you implicate new housing because it's expensive, you're going to implicate a lot of old housing as well. You will, in fact, implicate much more old housing than new housing. That's awkward if the goal is to show that builders of new housing owe society a special debt.

At this point, a development skeptic could backtrack, and say that the problem with new housing *isn't* that it's expensive. But then what is it? The only other hallmark of new housing, the one it truly shares with no other units, is that it's new.[13] But if we oppose new housing because it's new,

10 From the U.S. Census and the U.S. Bureau of Economic Analysis

11 These figures are all adjusted for inflation.

12 Is it really the case that "the houses themselves didn't change"? Probably some were upgraded. But demand remains the underlying driver. If you gave similar upgrades to a 1970s house in Cleveland, its value would rise, but not shoot over $1 million. Indeed, often it is only rising demand that makes extensive upgrading profitable.

13 Occasionally someone will say that the problem with new housing is that it is "speculative" but it often is unclear what this actually means. The most commonly invoked example of harmful speculation is Invitation Homes, which buys up detached single-family units, often from foreclosures and bank sales, and then rents them out. How harmful this activity actually is probably open for debate, but what matters for our purposes is that the company doesn't build anything. Its business model is based on buying existing homes and hoping their prices rise. Successful speculation depends on arbitrage — buying low and selling high. Selling high is always uncertain, because you can't predict the future. So the price paid in the present is the factor under the speculator's control. A speculator that builds something new, however, can't buy low, because development is expensive. This doesn't mean speculation on new development is impossible, but it does make it risky, and it suggests a conceptual reason for what we observe in practice: the savviest speculators buy old buildings cheap and hope they get more expensive. They don't start out by spending massive amounts of money to construct new buildings entirely. Not only that, but their business model relies on other people not building. Speculation relies on appreciation, and appreciation relies on scarcity. Look at Invitation Homes' most recent Annual Report, under "Risk Factors" (p. 23) and you will see that one disclosed threat to their business is "construction of new supply."

regardless of price, we should oppose new *subsidized* housing. Since securing new subsidized housing is a primary justification for restricting development, the argument at this point starts to devour itself.

Is there a way out of this quandary? Possibly. We could argue that lumping together old and new expensive housing is inappropriate because it overlooks the possibility that new housing *makes* old housing expensive. If new development is what causes the price of existing housing to rise, then new housing starts to look like pollution — it benefits its producers, but imposes costs on everyone else — and calls for compensation start to look more reasonable.

The problem is that there is little reason, theoretically or empirically, to think that new housing makes the housing around it more expensive. New housing increases the housing supply, so for any given level of demand it should help contain, not accelerate, price increases. While it's true that new building often accompanies rising prices, the causal relationship runs in the other direction: new building is a consequence, not a cause, of prices rising. Developers like to build where demand is high, and high or rising prices are a signal of demand.

If development could powerfully raise the price of everything around it, the United States would have no declining cities where property values were falling. An enterprising developer would buy some cheap buildings in Cleveland, redevelop just one of them into a new building, and then let the price-increasing properties of that new building make all his other holdings rise in value. Struggling cities would mint real estate millionaires. Even if developers were too myopic to see this opportunity, the U.S. government could step in and revitalize the Rust Belt simply by financing some condo towers in it. We don't see that happening, which is strong evidence that the mere existence of new housing doesn't make housing prices rise.[14]

In fairness, someone could acknowledge that point, but nevertheless contend that new housing exerts *some* upward pressure on nearby prices. The new housing could have what's called an "amenity effect" — maybe the building is itself attractive, and draws more people to the neighborhood. Similarly, perhaps its development sends a signal to nearby landlords, and suggests that they could raise their prices.[15] The amenity argument is nuanced: it lets most of the correlation

14 Perhaps you are thinking that comparing Los Angeles and Cleveland isn't fair, since Los Angeles is a growing economy that offers many more jobs and amenities. Exactly.

15 To a classical economist this scenario might seem impossible. If a landlord could raise prices, why wouldn't they have done so already? But it needn't be farfetched. In a supply-constrained market, landlords could be earning more than they would in a competitive market and less than they potentially could, since their market power gives them the luxury of inattention.

Our affordable housing strategies should not be premised on some neighborhoods not having nice things, or on taxing people who try to improve the places where they live and work.

between development and rising prices result from prices causing development, but suggests that *some* is the result of development raising prices.

New housing can certainly be nice; if a new building makes a neighborhood more vibrant, that could make the whole neighborhood more appealing. If such an amenity effect exists, and if it is larger than the supply effect of the new units, then new housing could nudge prices up. But the research that examines this question suggests the opposite is true: new building, even when it comes in the form of big, higher-end developments in lower-income neighborhoods, tends to lower prices nearby. This, again, is something a lot of people don't believe. So rather than litigate the details of that research, let's suppose it's wrong. We will concede for the sake of argument that new development, because of its amenity effects, does raise prices around it. That still doesn't add up to a case for housing value capture. It adds up to a case for *taxing amenities*.

Why? If the problem with new housing is that it is an amenity, and as an amenity, it drives up prices, then taxing or blocking new housing won't do much to contain prices unless new housing is the primary or only source of increased amenities in that neighborhood. That seems unlikely. Even if most new housing has amenity effects, most amenity effects probably do not come from new housing. If putting up an apartment building has an amenity effect, then so too, presumably, does using an existing building to open a high-end yoga studio, an expensive coffee shop, or a bar with 20-year whiskey, fancy mezcal and Edison light bulbs.[16] Should all those activities be subject to value capture, and taxed?

16 And if we remember that new housing tends to be built in places where demand and prices are rising, it becomes reasonable to think that if a neighborhood blocks housing it will still get amenities. A great example is the L.A. neighborhood of Venice, which has fewer housing units today than it did in 2000, but far more high-end amenities (Abbott Kinney Boulevard didn't always have restaurants with $400 bottles of wine) and far higher prices and rents.

For someone who doesn't like gentrification, the answer might be obvious: yes, tax them! But those questions are the easy ones. Planting trees and fixing sidewalks also make neighborhoods more attractive. Are these improvements appropriate targets for value capture? Should the youth group that cleans up a vacant lot and turns it into a park pay a value capture fee? Maybe you think this is apples-to-oranges. Perhaps parks and trees, even if they do increase demand for a neighborhood, do so less than new housing. A park won't attract people the way an apartment building does. That premise seems questionable, but let's accept it, and say that new housing does create more demand. The problem is that it also, by definition, creates more *supply*, which at least partially mitigates the demand it creates. New parks don't do that.

Neither does falling crime — even though few things influence property values more than violent crime levels. Should the church initiative or community-based intervention that reduces street crime be slapped with value capture, or an inclusionary mandate? Falling pollution often means rising property values. Does the environmental justice organization that succeeds in closing an incinerator near a neighborhood of working-class renters need to build some affordable housing, to account for the negative effects of its organizing? Better schools and higher test scores raise property values. If a school district pumps money into an under-resourced area, does it need to also build affordable units? If local parents and teachers collaborate to help more kids do well on exams and head off to college, should we step in and hit them with value capture?

Hopefully, the answer to all these questions is "no." Our affordable housing strategies should not be premised on some neighborhoods not having nice things, or on taxing people who try to improve the places where they live and work. If we worry that the value of improvements will be absorbed into land values, then we should tax and redistribute those rising land values, not block the improvements.[17]

If you don't like this line of argument, here's a way to object. Many of these other amenities — falling crime, rising test scores — might raise prices, but they don't involve anyone chasing a profit. When a community group creates a park or gets an incinerator to close, they aren't doing

17 A final point: suppose you reject all this logic, and still think that new housing raises the price of the housing around it. Is this an argument against market-rate housing? Not necessarily. Presumably market-rate housing can only raise prices if it is more expensive than the housing around it. If so, that suggests new multifamily housing would not raise prices if it was built in areas composed primarily of detached single-family homes. Even new apartments and condos are far cheaper than single-family homes nearby, simply because they are smaller. So the policy implication of this argument is to build new multifamily housing in places dominated by single-family housing. Since zoning usually blocks that policy outcome, that means upzoning. Even believing that new housing can raise prices, in other words, can lead to an argument for upzoning, unless you think building less-expensive apartments raises the price of more-expensive detached homes.

it for the money. Developers are. Certainly, we could have a boring "what if" discussion about this objection (e.g., "what if the community group is headed by homeowners?" or "what if the community group closed the incinerator with the help of a crusading attorney who collected handsome fees and damages?") but for the moment it's better to take it at face value. Market-rate housing does differ, both from many other amenities and from subsidized housing, in being built to be sold at a profit. Perhaps this fact alone is all that's required to justify value capture: we shouldn't allow more for-profit development without compensation.

Note that, in making this argument, we have come full circle. We have set aside any impacts on the city, and are back to focusing on whether the developer gains or loses — something we explicitly set aside above. But reintroducing the developer's private gains reintroduces our initial question: why do we worry when a city helps developers but not when it hinders them? The answer, this time, cannot be that development harms the city: that's the path we just traversed.

So now, making the argument work might require something of a Hail Mary: we could assert that demanding compensation in exchange for the right to build market-rate housing is appropriate because private property is itself inappropriate. Perhaps the mere existence of private gain negates the possibility of social gain. If it is impossible for something to simultaneously have private and social benefits, then any activity that generates a profit would by definition not help other people.

But that's just not true. It's not true because many affordable housing developers earn large profits, and it's not true because many things sold in private markets by private actors — even things that have high prices and generate high profits — also deliver social benefits. Here is an example: PrEP and Combivir are important drugs that, respectively, block HIV transmission and halt the progression of HIV among people who have contracted it. Both are sold at high prices and generate large profits for the pharmaceutical companies that developed them. No one should mistake those companies for altruists, and one can certainly argue that these profits are excessive. But it would be strange indeed to argue that these drugs, simply because their producers aim for and realize a profit, have no social benefits. PrEP and Combivir (and other drugs like them) have saved many lives, and alleviated untold amounts of grief, stress and worry — on the part of people with HIV, people susceptible to it, and their friends and loved ones. Motives matter, but so do outcomes. Would you be willing to take these drugs away, and explain to the people who rely on them that you are right to do so because someone, somewhere, is making money? PrEP and Combivir offer a straightforward case of social and private benefits co-existing. The same can be true, and is true, of market-rate housing.

Maybe you aren't convinced. All the above might be true, but too many people still lack access to PrEP and Combivir. In a better world, both would be more widely available, maybe even free. That's a completely reasonable argument. But it's also a different argument. The fact that we could produce and distribute these drugs in a way that has *more* benefits does not mean the current way has *no* benefits.

But, you say, we should strive for that world with better outcomes! I agree. So let's take that seriously. If we wanted to get more people access to PrEP and Combivir, would a sensible first step be to *restrict baseline production* of them? How would we react if public health authorities announced, in the face of an obvious need for these drugs, that only a few firms should produce them, and under very particular circumstances, and only if those firms subsidized a small number of the many people who might have difficulty paying? Would we applaud this? Or would we think it better to let more firms produce the drugs, to in fact flood the market with the drugs, and then have the government step in forcefully, with public money, to identify and help *everyone* who still has trouble paying?

If the answer is the latter, we should ask why our policy for housing looks more like the former.

Developer Profits and Value Capture

Someone could read this far, agree with everything I've said, and still be concerned: if we upzone the land, the developer still pockets a windfall. Yes, housing is valuable, but why should we tolerate the developer walking away with extra money? When the public creates value, it should ensure that as much of that value as possible goes to a public benefit.

The flaw in this reasoning is that while the public does create value, for the most part, it doesn't do so through zoning. Zoning does not so much create value as it changes the way value manifests.

To see this point, consider the Great Recession of 2007-2009. During that downturn, many homeowners in exurban areas, like communities outside Phoenix or Las Vegas, or in California's Inland Empire, went "underwater." Their homes lost so much value that the owners owed more in loans than the homes were worth. This was a terrible situation, with no good options, and many homeowners just "mailed in the keys" — abandoned their properties. In doing so, they escaped a long-term burden, but also ruined their credit, and, of course, suffered the emotional costs of losing their homes. Abandoned homes also imposed large costs on local governments. As people left and banks foreclosed, whole areas were suddenly pockmarked by vacant homes, and neighborhoods went from vibrant sites of future growth to fiscal albatrosses. The empty buildings were fire risks, crime risks, and accident risks. They required public spending but yielded no public revenue. It took years for some areas to recover.

I bring this up because if zoning could create value, none of this should have happened. Local governments could have rescued their residents, and their budgets, by simply upzoning their distressed properties. By zoning value back into these homes, cities could have pulled the homeowners above water, prevented widespread abandonment, and kept more neighborhoods intact. None of it, moreover, would have required any taxpayer money. It would have been a government bailout that cost nothing more than the stroke of a pen.

But local governments didn't do this, and they didn't do it for the same reason that no one has zoned Detroit or Cleveland into an urban renaissance, and the same reason that Iowa farmland won't get Manhattan's skyscrapers even if it's given Manhattan's zoning. Zoning cannot, by itself, create value. Zoning matters, but it matters in the presence of *demand*. The exurban houses that became ghost homes in the recession commanded high prices in the early 2000s because demand for them was high. Their values collapsed because the expectations driving demand for them turned out to be very wrong. But it was the demand, not the zoning, that mattered. Demand, moreover, is mostly demand for *land*. If you upzone California City, you probably won't see much development. If you upzone Hollywood, you will. Development occurs in Hollywood and not California City because people want to live in Hollywood, which means that what's valuable is location in Hollywood. And the defining, scarce factor of location in Hollywood is not its homes, but its land. That distinction is crucial. Conceivably, you could find a house in Hollywood, jack it up, load it on a truck, and move it to California City. The house wouldn't change, but its value would plummet because its value came from the one thing that couldn't be moved — the patch of earth back in Hollywood where it used to sit.

Once we understand that land rather than buildings is what holds most value, our conventional conception of value capture gets turned on its head. The Hollywood example illustrates an important point: land value is publicly created. The patch of earth in the middle of L.A. is valuable, with or without a house, largely because of what it is near — jobs, amenities, other people. *Publicly* created, it's important to note, does not mean *government* created. Sometimes, of course, the government has created the value. Hollywood has roads and subway stations that make its land more valuable than it would be otherwise, and the city also provides public safety services, streetlights and other amenities. But when we say that the public creates land value, what we really mean is that land value doesn't rise because of what the landowner did.

If you bought a house in Hollywood in 1998, your property today is likely worth more than double what you paid for it. That's not because you fixed up the kitchen: remember, if you moved your house, new kitchen and all, to California City, its price would fall. For that matter if your house burned down in Hollywood, new kitchen and all, you'd still be able to sell the land at a profit. Your property appreciated because it sits on land in L.A., and L.A.'s economy took off like a rocket. We could argue about how much L.A.'s government was responsible for growth, but the important point is that *you* weren't responsible for it. You're an impressive person, no doubt about it. But chances are you didn't singlehandedly jumpstart the regional economy. You were lucky enough to own some land when millions of people, through their collective effort and investment, did.

This suggests that your rising land value is fair game for taxation. Many people balk at the idea of taxing the fruit of someone's good work, but most are at least open to taxing the fruit of someone's good luck. Thus while almost no one likes taxes, a tax on land value is among the fairest taxes out there: it reclaims value created by the public, for the public.[18] Under a pure land-taxation regime, a person who owns valuable land pays taxes on that land, and on the land alone. If they put up a building, they *don't* pay taxes on the building. Their land value is the product of other people's efforts. The building, in contrast, is the product of *their* labor and effort, and also — this is important — their contribution to land value nearby. So the building itself is not taxed, but its effect on the proximate land is. In this way taxing land rather than buildings does not punish the person who creates something useful, but does prevent that person's neighbor from free-riding, and reaping a benefit without exerting an effort.

Taxing land rather than development aligns the incentives of landowners with those of society. Even people who don't worry about the fairness of taxation often worry about its efficiency. If we tax something too much, we might get less of it, as people change their behavior to avoid the tax. Thus we often hear that high taxes on income might discourage work, high taxes on sales harm the retail industry by creating black markets, and (not least) that taxes on property discourage housing. Whatever one thinks of those concerns, they don't apply to land. Taxes on land are unavoidable, because land is visible, immobile, and fixed in supply. People can avoid income taxes by earning less money, hiding the money they earn, or shifting their earnings to places where taxes are lower. Landowners, however, cannot hide their land, reduce its quantity, or move it elsewhere. A landowner *has* to pay the tax.

When a landowner has to pay the tax, the landowner needs to make the land generate income. The best way to do that, of course, is to *develop* the land: for instance, put up some housing and rent it out. The landowner doesn't do this out of altruism — he does it to cover the tax bill — but in the process, he shares the land with more people, and eases the housing shortage. So an effort to capture the true source of value in an expensive region encourages rather than penalizes housing production.

Contrast this approach with conventional value capture, where development is the trigger for the tax, not its desired consequence. Landowners can evade conventional value capture by withholding their land and not building housing. The landowner who builds, and shares land, pays. The landowner who hoards does not. Adding to the housing stock, during a shortage, invites additional obligations. Perpetuating the shortage, passively or actively, invites tacit approval.

18 The legendarily libertarian Milton Friedman could never bring himself to say he *liked* a tax, but even he conceded that a tax on land value was "the least-bad tax" a government could choose.

This situation reinforces, for people who own land in expensive urban areas, what is already a strong incentive *not* to develop it. Suppose you have a parcel of land in L.A. You bought it years ago when land was cheaper; maybe you even inherited it from relatives. If the land was totally empty, the only way to make money off it would be to build something on it, or sell it to someone who would. But most land in L.A. already has something on it — what we call a "going concern." Maybe the going concern is a few small apartments, a single-family house, or a commercial strip mall. While it's true that you *could* make more money off this property by redeveloping it, it's also true that developing land in LA is — to use a technical planning term — a giant pain in the ass, and you are more than covering your expenses with what's there already. If everyone around you started developing their properties more intensely, the rents you could charge would fall, and maybe, to keep up, you'd think harder about redevelopment. But everyone around you has the same incentives you do, so the city falls into an inefficient equilibrium, where the path of least resistance is to just sit back and keep making money. Market power is not defined by development, which is a competitive investment, but by the ability to avoid competition, and make money without investing. "The best of all monopoly profits," as Nobel Prize-winning economist John Hicks once wrote, "is a quiet life."

The allure of this "quiet life" means that Los Angeles has a massive real estate market but a relatively small development market. Lots of land changes hands in L.A., but the vast majority of these purchases are carried out by people who do *not* want to be developers: they just want the going concern. Think of the last person you know who bought a house. Did they buy it with the intent of knocking it over to build a fourplex? If so, they were unusual. Most people buy a house and proceed to live in it, just as most people who buy a commercial building do so with plans to use it more or less as is. Maybe they'll upgrade the interior, but they aren't redeveloping. The urban real estate business, in other words, is overwhelmingly a trade in existing buildings. And it is a lucrative trade. As the economy grows and demand rises, existing buildings become more expensive, and people who own them can sell them for more money. But the trade in existing buildings does nothing to address the underlying shortage of housing. It lets people profit off housing scarcity, but it does not alleviate housing scarcity. Only selling land and *developing* it does that.

Here we come to a point I mentioned in the introduction: that affordable housing and market-rate housing are not actually locked in a zero-sum competition. It's human nature to notice changes, and it's natural to conclude that different deviations from the status quo are competitors with each other, forgetting as we draw this conclusion that all deviations struggle primarily against the status quo itself. Does Uber compete with Lyft, and with buses, trains and taxis? Yes, sort of. But in reality, all these modes compete with something so large and normalized that we barely notice it: the fact that most people have their own car. That massive, unchanging backdrop of our transportation system determines the fortunes of both Uber and transit far more than they could ever affect each other. Similarly: does affordable development compete with market-rate development? Sort

> Most land, most of the time, is not being developed. All efforts to build new housing — market-rate, public, affordable, whatever — struggle against a status quo that lets people make a lot of money by not building at all

of. But the real competition is between development of any sort and the stasis we have become accustomed to — between the trade in land for development and the trade in existing buildings. Most land, most of the time, is not being developed. All efforts to build new housing — market-rate, public, affordable, whatever — struggle against a status quo that lets people make a lot of money by not building at all.

Once we understand this, we also see what upzoning actually does. Upzoning is unlikely to simply line a developer's pockets. Changing the rules to let more housing be built on a piece of land makes that land more valuable.[19] More specifically, it widens the gap between the amount of money that could be made off the parcel as is and the parcel if it were redeveloped; the returns to being a developer versus the returns to just being a landowner. This widening gap means the developer can bid more for the land, and in doing so pull some parcels out of the market for existing buildings and into the market for development. That's good for developers — they need parcels to stay in business — but it isn't necessarily a windfall for them. The windfall goes to the landowner, who gets that higher land price.[20] We might object to that windfall (after all, why should anyone get a windfall?) but remember that landowners earn windfalls even when we *don't* build. Again, it is rising demand, not zoning, that makes land more valuable. Zoning just lets us decide if we want rising land values to manifest as more housing *units* (development), or more concentrated housing *wealth* (the same number of units, but each one getting more expensive).

19 Assuming, again, a certain amount of demand.

20 What if the developer already owns the land? Then he gets a windfall. But he earns that windfall in his role as a landowner, not his role as a developer. If he decides not to build, and just sells the land to someone else, the buyer will pay more than he would have in the absence of upzoning.

And, of course, if we really object to land-based windfalls, we can tax land values. Doing what we do now instead — attaching a value capture mechanism to upzoning — has two perverse results. First is that it nudges the value of land back down, and biases the real estate market back toward a trade in existing buildings. If you owe the city affordable housing when you redevelop a parcel, but not when you buy a parcel and operate its existing building, then it is ever so slightly more probable that you will just operate the existing building. Second, tying value capture to development is just a bad approach to value capture, since it leaves the vast majority of value untouched.

In 2019, according to the L.A. County Assessor, new development added about $11 billion of real estate value to the county. That's a lot of money. But consider two points. First, a lot of that development was detached single-family homes, which means we won't capture any of it (the typical value capture mechanism, remember, applies to multifamily development, or is triggered by upzoning). Second and more important, L.A. County has over a *trillion* dollars of real estate value. So that $11 billion of development is only about 1% of the county's total. Residential land value in Los Angeles County, adjusted for inflation, grew 92% between 2012 and 2019. Housing density — the rate at which we harvest that value — grew only 4%. Most land is not redeveloped, and most land that is redeveloped is not developed at an intensity that remotely corresponds to its value. This land that stays physically unchanged is a massive stockpile of wealth, representing massive amounts of windfall profit, that our current approach to value capture simply pretends doesn't exist.

Conclusion

The conventional approach to value capture suggests that little is gained for society when cities with housing shortages allow new housing to be built, unless the people who build that new housing also deliver additional community benefits. This approach only makes sense if we assume that *not* building housing is harmless. But if in fact, the scarcity of housing causes social problems, then tying special obligations to housing production, while ignoring the massive gains of landowners who choose not to develop, starts to seem less desirable.

The point is not that we shouldn't capture value, or that we don't need dedicated funding for below-market-rate units. Nothing could be further from the truth. The point is only that we should capture value in a way that will be maximally fair and effective, which means we should tax the rising value of *all land*. Doing so would not only raise funds for affordable housing and other public services, but nudge more parcels toward redevelopment, and reduce the amount of land that is underused, hoarded or otherwise withheld. It would also tax good luck rather than good work.

Would this be easy? No. Taxing land wealth, like taxing all wealth, is politically difficult. A tax on wealth must be paid with income, and especially in places where land values are quickly rising, land taxes could burden people whose home values have increased while their incomes haven't.

That's a legitimate concern, but there is a simple way around it: to tax property when it changes hands. Selling a property converts its value from wealth to income, and the income from the sale can be used to pay the tax. Land is sold more than it is developed, so taxing sales taps into far more land value than taxing development. The tax could be waived if the property is redeveloped into more housing units.[21]

The very attributes that would make this approach economically effective, however, also make it politically difficult. Value capture of this sort would take seriously the idea that land windfalls are unjust, and that land value belongs more to society than the individual. This is a radical idea, one that could profoundly change cities, and one that conventional value capture studiously avoids. Inclusionary requirements pay performative lip service to the importance of urban redistribution, but quietly leave most urban wealth alone. In this way, conventional value capture exemplifies what economist Gordon Tullock called "the charity of the uncharitable" — the propensity of elites to embrace policies that carry a veneer of progressivity, but whose defining characteristic is how little they actually ask, and how little they actually do.

These factors suggest that while conventional value capture is unlikely to accomplish much in the way of policy, it *could* do a lot of work politically. Specifically, it might be a powerful tool for resolving the cognitive dissonance of liberal homeowners. When housing is scarce, its value rises, and those lucky enough to own housing will passively accumulate substantial wealth. That wealth, in turn, is only lightly taxed. By virtue of favorable state and national law, housing is sheltered from taxes both while it is owned, and when it is sold or bequeathed. The homeowner class is, in a real sense, a capitalist class. It has, moreover, through its political influence, won itself ample protection from both the forces of government (its taxes are limited) and the forces of the market (zoning laws that make building difficult are what give rise to housing scarcity).

21 A tax on land value is impossible to avoid, which isn't the case for a tax on sales — owners can avoid it by not selling. The ability to avoid the tax, however, while larger than it would be for a pure land tax, is lower than it would be for conventional value capture tied to development, for the simple reason that a transfer tax applies to capital that already exists. Before a development occurs, investors can choose if they'd like to invest in new housing or something else. They can then choose the jurisdiction they will build in, the type of structure, the number of units, and so on. All of these decision points offer an opportunity to avoid value capture. Once the housing is built, however, these decision points vanish. The financial capital has been invested, and converted to something largely immobile and indivisible. The only avoidance option is not selling.

But these benefits for homeowners can be brutal for renters. The same housing scarcity that builds wealth for owners erodes the security of basic shelter for renters, and the diminished stream of tax revenue from land makes public life austere. These distributional consequences might not sit well with homeowners who have otherwise liberal politics.

In expensive coastal cities, then, there might be a large market for an alternative narrative about the housing crisis, one that shifts culpability away from a failure to build, and moves the spotlight of government favoritism off the swollen value of owner-occupied property. What is the talking point that can reassure opponents of new housing that they are in the right? In late March 2021, one anti-development writer in Los Angeles gave readers the following advice, under the heading "How to Spread the Message":

> ... *preserving local control* should definitely be avoided because of its historical baggage. The Confederacy used the same argument to justify slavery, calling it states' rights. A century later the neo-Confederates formed White Citizen Councils to maintain local control in order to prevent the desegregation of housing, schools, and public accommodations.
>
> Instead, the most important media message is that State and local up-zoning laws are *developer giveaways*. Up-zoning is fatally flawed. It increases land values and real estate profits, without providing verifiable low-priced housing and increased transit ridership.

Thus does the logic of value capture ride to the rescue: It is the *developers*, not the owners, who are getting away with something. If that's true, then inclusionary requirements can be the remedy, and the liberal homeowner in a single-family neighborhood has a cognitive escape valve. He can argue firmly — from his leafy street where only single-family homes are allowed — that anyone building more than 10 units of housing should have to provide some affordable units. He can speak powerfully for redistribution while knowing that his wealth, and his neighborhood, will be exempt.

I submit that this isn't a good or progressive way to run a city. We owe more to each other, and certainly more to our most-vulnerable neighbors, than lip service and austerity. There are large obstacles between where we are now and a fair, efficient approach to planning, and I'm not naive enough to think land taxation will arrive overnight. But one thing we can all do, right now, is start telling the truth. In a region that desperately needs housing, we should stop saying or implying that new housing is harmful. It isn't. It doesn't warrant compensation. A city worried, despite the evidence, that building housing in a poorer area will cause problems should *build housing in a richer area*. But we all — academics, policymakers, planners, and advocates — need to stop saying that this thing we desperately need is actually the source of our problems.

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