

## **What If City Taxed Land More, And Buildings Less?**

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The debate in Connecticut about land use and sprawl would benefit from the ideas of Henry George.

The underlying problem is that land prices, particularly in our cities, are so high that few of us can afford well-located land and must instead resort to poorly located land. This drives sprawl, which causes many ills: wasted energy and time commuting; social isolation; loss of farms and scenic vistas, less vibrant markets of many kinds, including labor and products, and so on.

George, 125 years ago in an amazing book called "Progress & Poverty," showed why awesome increases in technology in the preceding 100 years had not produced general prosperity, and had in fact led to increases in poverty. It was the No.2 best-seller of its day, second only to the Bible, and was translated into many languages. Hartford's own Mark Twain was among the hundreds of luminaries who endorsed its ideas.

George saw that as technological progress advanced, the benefits of the progress showed up in land values. Urban land values were often hundreds of times that of surrounding agricultural land. When productivity rose, the benefits did not go into the pockets of workers, or even of capitalists: The benefits accrued to the owners of the best land. Land values rose, while wages did not.

Land, being different from buildings, can be taxed without affecting the supply of land - land can't be hidden or moved offshore. Taxing buildings leads to fewer buildings. Taxing sales depresses sales and production. Taxing wages also depresses job creation and wages.

But taxing land doesn't affect its supply at all! So what happens? Land prices are driven down. And the benefits of our common investment then accrue to the people, who pay for schools, infrastructure, emergency services and all the public spending that supports property values, providing the fund for next year's public spending. Other good things happen, too, when we tax land more heavily:

First, downtown landholders who are sitting and waiting for their land to ripen (that is, for the taxpayers or neighbors to do something that benefits those landholders) get motivated to either do something themselves with their land or lower their asking price so that others can afford to put that land to a higher and better use.

Second, when a downtown acre is well redeveloped, it will prevent the premature development of 10 or more acres on the fringe. As the process accelerates, it may even help rewind sprawl, causing the city to draw back a bit along the fringe.

Third, existing infrastructure - think city water, sewers, storm water management, as well as schools and emergency services (the police, instead of driving by an empty lot or a parking lot, are patrolling inhabited neighborhoods) - gets used more intensively, lessening the need for the costly extension of infrastructure and services at the fringes of urban areas. Density has a lot of advantages.

Fourth, markets become healthier. Employers can draw employees, customers and materials from all directions, because they are centrally located rather than being forced to the fringe. Prices consumers face go down because more sellers compete for their business. Workers have more jobs to choose from.

The current property tax is the marriage of two taxes - land and buildings - with very different effects. One has highly positive effects, the other highly negative ones.

But since they're married, when we need more revenue, we must raise both. Hartford's property tax, like that of many other cities, is about three times higher on buildings than it is on land. This deadens to impulse to build new buildings or rehabilitate older ones, and encourages landholding. A tax on land value works in the opposite way. But as long as we're stuck with imposing higher taxes on buildings to get higher taxes on land, we can't win!

What we need is the ability to divorce the land tax from the building tax. Stop taxing buildings, or at least lighten the tax burden they carry. Tax land more heavily.

Some downtown parking lots will disappear. Some will be redeveloped into parking garages, but the other sites will be used for buildings. Asking prices for the resulting

rental space will be affordable to entrepreneurs - all those folks with business plans in their heads that depend on access to prime locations. Some will be developed into housing, which goodness knows we need.

Landholders will become land entrepreneurs, actively using land for common benefit. The enabling legislation for that tax divorce has not yet made it out of committee in Hartford, but it is the first step to providing Hartford and Connecticut's other cities an effective tool for promoting the common good. Let's turn around the perverse incentives, and put our tax structure to work on behalf of Connecticut's residents, by shifting the property tax off its buildings and onto its land. The land can take it, and we'll all benefit.

For more about these ideas, see [www.wealthandwant.com](http://www.wealthandwant.com), which provides more about Henry George's ideas in a 21st-century context.