

Zoning Objectives and Tax Policy

DURING THE LAST FORTY YEARS since New York City first established zoning¹ (1916) many books and articles have been written on the subject. From New York, the first city in the western continent to have zoning, the practice has spread until it has come to be regarded as the most important part of city planning.² The objectives of zoning are many and varied but only a few can be considered in this discussion. More specifically, let us consider whether a tax policy can help to achieve certain zoning objectives.

City authorities often feel a responsibility to protect home owners and others against injury to their neighborhood from construction of an inferior dwelling or business property,—*e.g.*, a "shack."

Professor Glenn E. Hoover (Councilman, City of Oakland, Calif.) has stated that: "In nearly all American cities a chief deterrent to the improvement of a property is the discredited general property tax."³ Such a tax—familiar to Americans—penalizes the owner who makes improvements, not just when they are made but as long as they last. Again in the words of Professor Hoover, such taxes "breed slums." Any section of a city deteriorates—becomes slumlike—unless the houses and other buildings are painted and kept in repair and lawns and shrubbery are cared for. As an alternative to the general property tax, Glenn Hoover urges that land be taxed more heavily and that improvements, which are capital, be relieved of taxes. Owners of land would then be penalized for holding land vacant and would be induced to make as productive use of land as possible. Land could be purchased more cheaply. Crowding in residential sections would be reduced. Ownership of homes would be fostered.

Fairhope, Alabama, is an example of what can be accomplished.⁴ This colony—located about twenty-five miles southeast of Mobile—was founded in 1894 by people who wanted to test an idea. The founders of Fairhope believed that if taxes were levied on community-created values instead of values produced by human effort, citizens would benefit. Seeking to demonstrate this idea, the colony association acquired land through donation and purchase. Leaseholders paid, to the association, an annual rental charge equivalent to the rental value of the land. In turn, the association

¹ Harold MacLean Lewis, *Planning the Modern City*, New York, Wiley, 1949, Vol. I, p. 255.

² Thomas Adams, "Zoning in the United States," *Encyclopaedia Britannica*, Chicago, 1956, Vol. 23, p. 961.

³ Glenn E. Hoover, "New Programs for Old Slums," *American City*, 70 (May 1955), p. 112.

⁴ Paul E. and Blanche R. Alyea, *Fairhope, 1894-1954: the Story of a Single Tax Colony*, University, Alabama, University of Alabama Press, 1956.

relieved the leaseholders of taxes on capital—by paying the local taxes—and spent the remaining rent for general community purposes. What was the effect of relieving man-made capital and taxing land values instead?

Many comparatively poor settlers were attracted to Fairhope because land was obtainable at low annual rentals as well as because they were relieved of paying taxes on their improvements. Some began with a "trailer cabin, or worse," a condition which today would be prohibited in many cities by zoning ordinances. Some of their more prosperous neighbors were displeased and "petulant" over the presence of these lowly dwellings. But nearly all who started in this fashion have been able to add to or improve their dwellings, "until they now own quite valuable homes." They did this under a tax system which leads to "an economically and otherwise properly balanced land utilization, without formal restrictions or zoning ordinances."⁵

Early in 1957, A. R. Hutchinson reported on an extensive survey⁶ which, also, has a bearing on the results of this tax policy. Mr. Hutchinson had surveyed the three eastern states of Australia—Queensland, New South Wales and Victoria. He had found that where taxes were levied on land values, with tax exemption of buildings, modern stores predominated. But where the taxes were levied (as in Great Britain and the United States) on the assessed value of the composite subject, land and buildings, many more proportionately of the stores were "obsolete." Mr. Hutchinson's research demonstrated that merchants, like industrialists and home owners, are more ready and financially able to improve their properties if such improvements—as well as the original buildings—are exempt from taxation.

City planners could find in these examples, and in the supporting theory, much to recommend a tax system which thus motivates citizens to improve their business properties, dwellings and, therefore, their neighborhoods.

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⁵ *Ibid.*, p. 276.

⁶ "Shops in Australia," *Land & Liberty* (London, England, March 1957), pp. 36-37; also "Correction—Shops in Australia" (June 1957), p. 88. This account was rewritten for American readers by E. R. Brown in "Tax Policy and Commercial Site Development," *Am. J. Econ. Sociol.*, 17 (April, 1958), pp. 282-5.

It is from the social consequences of possessing wealth and not from the individual pleasure of consuming it that we have to interpret the capitalist psychology of acquisition.

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