

CONSTRUCTIVE TAXATION AND PLANNING



THE RESULTS of a study carried out by Canadian town planner Franklin A. Wiles concerning the possible effects of a change to land-value taxation in Vancouver have now been published in book form entitled *Land Development and Taxation in a Central Commercial Zone*. The study was first presented to the Conference sponsored by the International Union for Land-Value Taxation and Free Trade, held in New York in 1964.

The purpose of the research work, which was carried out with the co-operation of Vancouver City's Assessment, Data Processing and Planning Departments, was to examine the relationship between development and property taxation in the city's central area, and the probable shifts in tax burden, with its consequential impact on development, which might arise if the city were to opt for an *ad valorem* land-based tax system.

Mr. Wiles presents his complex subject in a form which is easily digested—no mean achievement in view of the technical details he has amassed. Diagrams are produced to illustrate the differences in unit land values in the zone, the distribution of total values (land plus improvements), the assessment ratios and the redistributed tax burdens under a land tax system.

Under the land tax system about 20 per cent of the properties would benefit from a change to land taxation. These properties represent the most valuable buildings where the ratio of total value to land value is relatively high and where the present tax system penalises good improvements. About 20 per cent of the properties would experience increased tax demands of approximately 200 per cent. These large increases, however, would occur only where the land is relatively valuable and under-used, i.e., where improvement values are low and inappropriate in relation to market trends.

Mr. Wiles summarises his findings by stating that the near-vacant sites would tend to become fewer in extent and smaller in number under a land tax system. The parking function many of them fulfil would be transferred to purpose-built parking structures. This would be a desirable trend, causing less interruption to retail frontages.

In Mr. Wiles own words: "The increased incentive to invest in buildings (resulting from removal of improvements taxes), coupled with the increased tax incentive to use land productively, would loosen up the market in down-town real estate, a loosening that is much needed. . . .

"The way we levy taxes should depend partly on whether we want to destroy initiative and constructiveness . . . or their opposites. The central commercial zone of Vancouver, and apparently a good many other cities, could do with a dose of constructive taxation."