

# NEWS AND COMMENT



## MASTER PLANNING ADDS VALUE TO NEW U.S. COMMUNITIES

**PRIVATE ENTERPRISE** New Towns are unknown in Britain, where only the New Towns Development Corporation enters the field of truly large-scale new development. In the U.S.A., however, new towns are coming into their own as a result of private initiative. Pointing to some of the prizes that can be won, Robert E. Simon, Jr., developer of the widely-acclaimed new town of Reston, Virginia, only eighteen miles from downtown Washington, D.C., has said: "A sound comprehensive master plan will add value to an area suitable for development as a New Town—provided there is assurance that the plan will be executed faithfully and will not be scrapped because of any temporary exigencies. Both mortgage lenders and real estate appraisers should give greater recognition to this principle of land economics. They should rely less on the initial purchase price or book value as the measure of the worth of such land, and in providing finance, the lenders should give greater recognition to the considerably higher value that will attach to it under steady implementation of a master plan for its orderly development."

Citing his experience at Reston as an example, Mr. Simon recounted recently to U.S. developers how he had purchased the eleven square miles site for this new town in March, 1961, for an average of approximately \$1,600 per acre. In contrast to subsequent appraisals for only very conservative sums, however, and in spite of the obsession of many bankers with the earlier original cost of the land, within four years buyers were paying an average of more than \$20,000 per acre for homesites in the first residential section of Reston to be placed on the market. Sales of industrial land were ranging from \$11,000 to \$42,000 per acre, he added.

The steady implementation of the Reston master plan—the installation of utilities, the opening of its first golf course, the sale of church sites, etc.—as well as various complementary actions by public agencies in providing for highways, schools, and police and fire stations, were in Mr. Simon's view a series of "conceptual milestones that produced important effects on the real value of Reston land." While it would seem that financiers were reluctant to back Mr. Simon's appreciation of the potential in large-scale planned development, a loan of \$15 million from the Gulf Oil Company was obtained to help finance the continued development of Reston. Upon completion, Mr. Simon continued, in about 1980, this New Town would have a population of approximately 75,000. At the same time, Reston research and industrial facilities are expected to employ as many as 35,000 men and women, with as

many as 12,000 of them walk-to-work residents of Reston.

There can be little doubt that if these population targets put forward by Mr. Simon are reached there will be large and continuing economic rent returns from the carefully prepared development programme. In Britain, of course, many of the New Towns have shown handsome rewards for the state, since much of the ground rent is flowing back into the national purse. How much more efficient the system of expansion would be if all land values were progressively taxed! In this way the need for the advanced acquisition of land by the state would be greatly reduced and private enterprise would be stimulated into constructional investment without the need for detailed official control and re-allocation.

## TREMENDOUS IMPACT ON LAND VALUES

**THE DEVELOPMENT** of balanced transportation systems across the nation can have a tremendous impact on land values in the cities they serve and in suburban and rural areas as well, said Norman W. Seip, of General Electric's Locomotive and Car Equipment Department, in a talk to the National Institute of Farm and Land Brokers, in Chicago. "Land values and transportation are linked historically by a single basic principle: the more accessible any land area is, the more valuable it becomes."

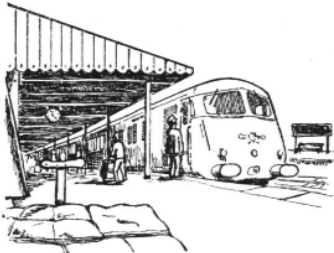
Traffic congestion, making many major American cities less accessible, affects the social and economic welfare of every American citizen, said Mr. Seip. The solution lies in balanced transportation—a combination of autos on expressways, outlying parking, feeder buses, and highspeed rail transit, each used to its best advantage to enhance the effectiveness of the others.

Mr. Seip cited several cities where balanced transportation, including rail rapid transit, has clearly had an effect on increasing urban and suburban land values. "But rapid transit benefits extend far beyond the end of the line," he pointed out. "Longer range, the availability of farm land is going to be of increasing importance to the nation in that we can expect to be cast in an even greater role as a major supplier of food for the world. This needed conservation of farm land will be aided by more efficient cities developed around balanced transportation systems."

The new, multimillion dollar system of interstate highways was causing dramatic increases in land values as motels, restaurants, gas stations, and industrial plants cluster around the interchanges. "What the interstate highway system has done for land values in rural and suburban areas, rail rapid transit does for land values throughout entire metropolitan areas," said Mr. Seip.

Property values along a fifteen-mile, \$69 million rail rapid transit line being constructed to connect downtown Philadelphia and Camden with southern New Jersey communities have increased from \$25 a front foot just six years ago to \$300 to \$400 today.

In Toronto, Mr. Seip noted, two-thirds of all major building construction in a five-year period was within



walking distance of a subway opened in 1954, and a new subway to open early next year is expected to generate about \$2 billion worth of development along its route.

There can be little doubt, from the views expressed by this expert, that many interests in the U.S. will be pressing for increased government expenditure and loans for rapid transit systems. With a relatively low rate of land tax in most States this is hardly surprising.

## LAND RETIREMENT PROGRAMME INCREASES DEMAND FOR LAND

**T**HE U.S. GOVERNMENT'S land retirement programme, under which an average of sixty million acres a year are withdrawn from production, increases the demand for land the same as though there were a new use for it from the economic standpoint, J. Carroll Bottum, assistant head of the Department of Agricultural Economics at Purdue University, told members of the National Institute of Farm and Land Brokers in Chicago. "Passage of the Food and Agricultural Act of 1965 indicates a continuation of government support and land retirement programmes for the next four years," Mr. Bottum said.

"The net income per acre from farm land in the United States is expected to continue to rise between now and 1970. With government support prices for the major crops fixed at a given level, income for an individual year may fluctuate from this trend because of abnormal weather. Net income per acre for all farm land in the United States rose 50 per cent from 1954 to 1964, while land prices rose 74 per cent. . . .

"The ratio of the world food supplies to food demands appears likely to put more pressure on food supplies and demands for food from the North American continent."

The lesson from Mr. Bottum's exposition of contemporary trends in U.S. agricultural land policy is a simple one: whatever the intentions of Government agricultural support and conservation programmes, the end result is a rise in land values.

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## CONSTRUCTIVE TAXATION AND PLANNING



**T**HE 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."