

Canadians Want An Inquiry Into Land Value Taxation

POWERFUL agitation is under way in Canada for governmental investigation into whether it would be desirable to change from taxes on land and improvements to a system of real property tax on site value.

In part this has been generated by the recent report of the Royal Architectural Institute of Canada (L&L., November) which has attracted wide attention. The *Toronto Financial Post*, editorially commending the report, referred to "the totally obsolete tax system which depends so heavily on property taxes and which penalises the man who improves his property."

The *Toronto Star*, under heading "No Subsidies for Landlords", commented: "An assessment law that nourishes slums is reprehensible. To the extent that slum owners are being undertaxed, other property owners are being overtaxed. Speculation in land is one thing; speculation that the public at large is forced to subsidise is quite another . . . As it now stands Ontario's assessment law encourages some slum landlords to keep their properties rundown, when otherwise economic considerations would force them to demolish the houses and redevelop the land. This is because the law tends to let the presence of slum drag down the assessment on land, thereby encouraging speculative holdings.

Mr. A. J. Scott, president of the Ontario Division of the Urban Development Institute, in a lengthy article, also commended the RAIC Committee's recommendation that the Provinces should conduct an investigation. "Such a study should be undertaken at once, by all levels of government, with the assistance of the most competent individuals available."

Similar statements have come from influential quarters from coast to coast. They indicate that in Canada (as in Britain) public interest is much greater than a few years ago reformers had dared to hope. Much of the credit for this rapidly developing interest is due to the work done by the International Research Committee on Real Estate Taxation, and to the impressive brochure prepared by the Committee's research director, Mr. H. Bronson Cowan, under title *A Graphic Summary of Municipal Improvement and Finance as Affected by the Untaxing of Improvements and the Taxation of Land Values*.

AN IMPORTANT INQUIRY TO BE UNDERTAKEN IN U.S.A.

IN a recent public address the *Graphic Summary* was mentioned by Dr. Norman Mason, Administrator of the Housing and Home Finance Agency, Washington, D.C. Dr. Mason said:

"Many municipalities in these countries (i.e., Australia, New Zealand, South Africa and Western Canada) have been using the system for as long as 50 years. The results are given at length and in specific terms. The result is undeniably impressive . . . It is evident that there is a close relationship between our prevailing real estate tax system and our problems of slums, blight and community renewal. The time has certainly come to increase our fund of knowledge by taking a fresh look at the matter. Therefore, I am asking my staff to make an extensive investigation. I shall make the result of their studies available when they are completed."

The H. & H. F. Agency is an immensely influential organisation. It controls the expenditure of billions of dollars designed to improve the housing situation, the reclamation of slums, and to provide the employment of labour in the construction industries. This statement is attracting wide attention in the press and otherwise. It is raising the whole movement to a higher level of discussion.

West Germany

LAND SPECULATION IN HANOVER

MR. Erich Zincke, a vice-president of the International Union, writes from Hanover: "The Housing Minister in his efforts to establish a free market in rented residential property has exempted the rent of new houses from control. As demand greatly exceeds supply, the results are striking. Now landlords could double their rents. Their speculation has proved right. They rebuilt their ruins with public subsidies, and the sums the future tenants were ready to give (DM 5-10,000) are totally lost. Now people see how a free market in land works where there is no land taxation. The great building societies condemn such speculation as they condemn any land speculation. It may be remembered that several of them sent representatives to the International Union's conference in Hanover last year.

"This city provides a most illuminating example of how, if land values are not taxed, good town planning heaps up land values into a virtually insurmountable obstacle to further municipal improvement, while endorsing land speculators.

"The artificial lake beside which our Conference was held — the Maschsee — was made at public expense. It was obvious that the lands around it must rise in value. The municipality knew this and tried to buy all this land. But it could not. The famous politician Hugen-

berg, the head of the Hugenberg heirs, refused. And though he was soon pushed aside politically by the Nazis they did not dare to expropriate those lands (with compensation) though there was then a most efficient expropriation law. Besides, they believed they had abolished land speculation by their system of officially fixed prices. But Hugenberg knew that their rule would not last. He speculated for generations; now the time is ripe. Either the Hugenberg heirs must get millions for this hitherto unused land, or they can build on it in a way that promises an extraordinary profit. The municipality cannot afford the required sum. Thus it seems to be inevitable that the east side of the lake will be soon covered with the most modern and expensive luxury residential blocks for the cream of society.

"This case has caused a storm of protest in the Press. Many people are interested, among them tenants, the building societies and the town planners who see their planning frustrated. One result is that Mr. Kurt Lüben, secretary of our new organisation, and I have been invited to address the conference in Frankfurt (October 15 and 16) of a union of water technicians. Land value taxation seems to them the only way to make their planning efficient.

"One surprising development is that the land and real estate brokers, who are generally thought the people who make the prices, feel the public reproach of being anti-social and begin to clear themselves by pushing the blame on those in the background.

"From this it will be seen that opportunities exist for effective propaganda by our new organisation. My colleagues and I are most grateful to the International Union for the generous grant it has made to enable us to get established, and even more so to all those in many lands who responded so kindly to the special appeal made by the Union's honorary treasurers."

Book Review

How Tax Exemption Broke the Housing Deadlock in New York City, Committee on Tax Policies, Citizens' Housing and Planning Council of New York, Inc., 1960. 204 pp. incl. appendices.

IT IS probably true to say that "the biggest city in the world" suffers from the biggest collection of urban headaches in the world. The intensity, complexity and mere size of problems in New York produces tremendous efforts, political struggles and, finally, solutions when other cities are yet barely awakened to their similar problems. Thus, when the giant strikes out on a new course of action it sets a pattern, for better or for worse, which other North American cities copy.

In 1807 Manhattan adopted a grid system as the basic land layout; this convenient and monotonous grid was then used to cut up land across the country. In 1916 New York adopted a zoning by-law to control land use within its boundaries; that by-law, often copied word for word, spread like wildfire to lesser cities. In 1920, faced

with the postwar crisis in housing, New York introduced a law providing tax exemption to new dwellings, of certain kinds, and for a limited period. This law is credited with "breaking the housing deadlock" in New York, but this is one law that didn't catch on in the country. It is natural to wonder why.

However, the report under review is not concerned with this interesting question; it is simply a documented account of events which led to the passing of a Tax Exemption Law in 1920 and finally to the State Housing Law of 1926 which incorporated certain elements of tax exemption in the "permanent housing policy" of New York State.

The report is a straightforward, factual, "deadpan" account of the postwar housing shortage in New York and of the efforts made to overcome it. As such, it is of interest mainly to historians, political scientists and champions of low-cost housing—not the least of whom is Elizabeth Wood, Associate Director of the study. It seems as though Miss Wood has been mixed up in housing since the Year One, lately and most notably with the Chicago Housing Authority, and this report bears the stamp of her authority and integrity.

As Miss Wood says, the New York story does not always read like past history because the problems of those years are problems today. "Money is still scarce; taxes are high; low-cost housing is not produced in sufficient quantities."

The emergency tax exemption law, which appears to have operated fully between 1920 and 1922, did break the deadlock in housing. "In the spring of 1921 a building boom commenced which was to increase in volume for four years. Great numbers of tenements and apartments were built . . . These increases were interpreted as indicating a rush to build before the exemption expired. Even greater activity was seen in the construction of one and two family homes . . ." But, although the tax exemption ended the physical shortage of housing, it did not result in generally lower rents and it did not produce low-cost housing. As embodied in the State Housing Law, tax abatements did not and have not provided a solution to the housing problems.

"New York slums are still to be abolished; low and middle income families are still in need of adequate housing at rents which they can afford. In short, the permanent and truly effective housing policy is yet to be found."

The report does not direct us to any particular course of action but we are entitled to conclude that a more generous and widely applied tax exemption of building is at least one of the ingredients needed for civic good health. Would that the giant would take the lead again.

MARY RAWSON.

The Dear Food Party. Circular 32 issued privately to prospective candidates by Liberal Party Research Department is outrageously protectionist.