

Olympics fan flames of land value capture

THE SYDNEY OLYMPIC Games in 2000 were a huge success, not only in the host nation's haul of medals, but also in the upgraded infrastructure it produced that helped a surge in real estate values.

The benefit of this to land and property owners has not gone unnoticed by the New South Wales state government, which is considering ways to tax the rise in land and property value when a new road or rail project is built.

The lesson for the state government was Waterloo's Green Square. In the five years since the announcement and building of the new airport corridor rail line there unit prices have risen by up to 180 per cent. Taxpayers shelled out £327m which benefited local land owners, who had no direct involvement with funding the line.

The NSW government has chosen the suburb of Bringelly as a test area where 30,000 home lots will become available over 15 years. Studies show developers would be required to contribute around £21,600 per block at Bringelly.

In this way, value created by tax-funded infrastructure can be recycled back into the public purse.

Call for air slot auction

A GROUP OF environmentalists and economists are campaigning for aeroplanes to be subject to a congestion charge just like cars.

The Institute for Public Policy Research (IPPR) has proposed airlines should bid for their landing slots in an auction. It would effectively mean airlines having to pay congestion charges. Currently, aircraft compete to reach their destinations at times convenient to passengers.

The auction would create a revenue stream that could be put to public use as well as encouraging airlines to use those airports that are under-used, such as London Stansted.

Fresh thinking

Philadelphia reborn



Shifting tax to land values could reward Philadelphia's communities

Jonathan A Saidel, Philadelphia's City Controller, gives his reasons for wanting to use a land-based tax to resurrect his city

FOR PHILADELPHIA TO have a future we must find creative solutions to lower the overall tax burden while maintaining and improving city services. The challenge for our municipality is to find taxes with the least negative impact, which allow us to raise public revenue without chasing away individuals and businesses.

That is why a shift within the current real estate tax is so appealing. It will help neighbourhoods to improve in

quality while keeping the fiscal cost to the individual homeowners, who care for their property, at a minimum. How?

The mechanics are pretty simple. The current real estate tax is a tax on two separate things: a levy on the value of the building and a levy on the value of the underlying lot. Currently both tax rates are the same. Because buildings are usually more valuable than the underlying land, three quarters of the city's real estate tax revenues are derived

Kiley hardens line on funding

LONDON'S TRANSPORT COMMISSIONER Bob Kiley has strengthened his stance on using land value capture to fund the Mayor's ambitious plans for rebuilding the capital. In a conference speech criticising the UK Government's public/private funding partnerships, Kiley increased his support for a mechanism to capture the revenue stream created by uplifts in land values.

Kiley, who had already supported this new approach to transport funding in an interview with L&L (Winter 2001/02), reinforced his position at the Urban Regeneration: a fresh approach conference at London's new City Hall, organised by the Henry George Foundation and Land Value Taxation Campaign.

He said: "Full land value taxation may not happen in the near term, but we may have an opportunity here to take an

important step forward toward that goal through some variation on the tax increment financing scheme, and in so doing we will have made a crucial investment in the future of London."

Kiley's comments followed an announcement by Jeremy Edge, of consultants ATIS Real Weatheralls, that his company was due to carry out a study for the Office of the Deputy Prime Minister into the effect of Croydon's new Tramlink on property and land values.

The conference was attended by 130 delegates from the property industry, community groups, academia and local government.

Peter Gibb, Chief Executive of the Henry George Foundation, said: "Our efforts to build bridges to local

from improvements; only a quarter from land. This makes it very costly to maintain homes and tend gardens. Meanwhile, slum landlords are rewarded by having their assessments (and thus taxes) lowered, when their buildings fall into disrepair. So, while the current system punishes people who contribute to a community's wellbeing, it gives a tax break to those who bring down neighbourhoods with ignorance and neglect. This is obviously wrong.

By shifting the tax burden from improvements to land values, the city could reward people and businesses who invest in their communities while making it harder for speculators and slum landlords to hang on to property. Almost every owner of a vacant lot or a derelict house would see his tax bill go up and be encouraged to do something with the property or sell it on. Taxing land at a higher rate than buildings – or not taxing buildings at all – would allow citizens to maintain and improve their homes without fear of the taxman.

Land value tax is a win-win solution to urban blight, encouraging people to take pride in their homes and neighbourhoods. Un-taxing dwellings will help maintain neighbourhoods' values. Lower taxes on structures will help people win back their neighbourhoods through their own wishes and vision.

Twisted taxes distort economy

Nicaragua is one of the poorest nations in the Northern Hemisphere, mired in debt and poverty. Here Paul Martin tells how the country's fiscal set-up is making things worse

MANAGUA, THE CAPITAL city of Nicaragua is a good example of what happens to a city when the tax system provides more motivation for private speculation in land values than for private use of land as a productive resource.

Throughout the city large amounts of valuable urban and suburban land lies idle. There is disproportionate public and private investment in privileged sectors of the city, with advanced neglect in some areas and decay in most others.

On one side of the city, there are modern buildings with paved roads. In the other sections, there are rustic dirt roads and the most rudimentary of shanties sardined together.

The property tax in Nicaragua – *Impuesto Sobre Bienes Inmuebles* – is an



Slim pickings: a jobless man picks garbage

annually collected national tax. In most areas of the country municipal governments do not have the resources to administer the tax. In the capital, the tax is collected from a limited group of landowners, mostly in the developed areas.

The influence of the tax is too weak. The result is great inequality in access to the most productive land.

Many kilometres from the capital, unemployed *campesinos* – those not adventurous enough to migrate for opportunities to pick urban garbage, or engage in predatory crime – line the highway asking for handouts. Asked why they do not work the unoccupied land surrounding the urban centres, they respond: "That is all private property." Paul A Martin is the director of the Instituto Henry George in Nicaragua nssmga@ibw.com.ni

In conference

Debt and the engines of inequality

WHY MILLIONS OF people are driven to debt in a trading system that has the capacity to abolish poverty was discussed by leaders from the three main religions at Plater College in Oxford in the autumn.

Ann Pettifor, who initiated the Jubilee 2000 campaign to eradicate Third World debt, blamed global capital markets and called them gigantic engines of inequality.

Pettifor, now heading a research project at the London-based New Economics Foundation, said the developing world was being driven to debt by the enormous US debt. She said the US had to borrow \$4bn daily to finance the trade deficit and foreign liabilities.

US families borrow more than they earn, argued Pettifor, and offered their houses as collateral. But because they cannot sell their homes to pay off their debts, a crisis was looming that might result in a crash and large-scale repossession of homes.

But big business was not necessarily

hostile to the interests of ordinary people, said Sir Sigmund Sternberg, who established the Three Faith Forum, in which Muslims, Christians and Jews meet to explore ways in which the religions can co-operate. He said businessmen should engage in inter-faith activity, to deliver global peace that was in their interest. He said: "There can't be world-wide commerce without stabilisation."

Several speakers said solutions could be found in the theology of land in the Old Testament. The Jubilee year practice described in Leviticus, in which debts were cancelled and land restored to its original users, was analysed as a relevant model for solving modern problems.

According to the 2002 survey by the UN Development Programme, the world will be free of hunger in 130 years. The 2nd International Conference on an Interfaith Perspective on Globalisation will be in St Petersburg in April 2003. Direct proposals for papers to Dr Kamran Mofid at k.mofid@plater.ac.uk



Inside story: 130 delegates attended the Urban Regeneration conference at London's new City Hall

government and groups interested in regeneration are paying dividends. We believe our approach is the way forward for all those who would advocate the application of rent for public purposes."

For a transcript contact Paul Brandon, the Foundation's Deputy Chief Executive: p.brandon@henrygeorgefoundation.org www.henrygeorgefoundation.org