

LAND-USE PLANNED BY MARKETS

by Jeffery J. Smith, Portland, OR

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Ordinarily, planners have as much use for markets as generals do for anarchists. Yet markets could make life for planners much easier. The key is to reverse the flows of Rents and taxes.

Revenue Dys-settles.

Taxes - an aspect of politics, not markets - motivate misuse of land.

* The tax on buildings discourages maintenance and breeds slums (Lynn 1973). After the neighborhood really goes down hill and the owner has milked every last penny out of the structure, he just walks away. Thus urban cores decay (Pickard 1966), an entropy that seems inevitable yet is policy-induced.

* In growing areas, custom design creates more valuable homes, hence more tax liability. To avoid the penalty, developers can under-build or sacrifice esthetics. Cookie-cutter developments all in a row minimize built value and property taxes.

* Taxing sales raises the cost of living while taxing income lowers the ability to afford to live. Like a vise, regressive taxes squeeze out the discretionary income of the poor who cannot afford the city they may like. Necessity crams them into the structures that cut corners.

While taxes are creatures of legislatures, ground rent is a phenomenon of markets. What's political is what we do with it. Most of us forget it's there, letting it reward speculation and sprawl.

Revenue Reform.

Residents need not let Rent and taxes shoot holes in metro settlement patterns and price out the building of more pleasing houses and shops. A jurisdiction could adopt geonomics: replace taxation with the collection and disbursement of Rents. Since we do not collectively build homes and businesses - homeowners and business owners do that - we ought not tax them. Since we do generate the value of land, higher where density is higher, with land dues or deed fees, we should collect public Rent for public betterment.

Planners have a litany of great ideas for rebuilding cities - set-backs, landscaping, pedestrian bridges, bridges, etc - but have no idea of how to pay for them. One way is to let them pay for themselves. Improving a city raises its land's value. Collecting this ground Rent, the locality can use it to pay off the earlier investment in ecologizing the city. If a project cannot

pay its way, then back to the drawing board. Only if it can, carry on.

Develop Well.

No longer inhibited by the property tax yet spurred by the annual land dues (tax or fee), owners and developers get busy. Some Australian towns that tax land alone average 50% more built value per acre than those that don't (Kenneth Lusht 1992). Since a mix use of apartments, stores, offices, schools, theaters, etc. maximizes site value and the return to builders, they could find themselves pulling on the same end of the rope with planners.

Where planners, armed with zoning and the sternest growth control measures, have failed, geonomics can succeed. By making speculation too expensive, it unplugs the "metro tub", letting the flow of development return to its natural course, filling in the vacant lots and abandoned buildings (Bourassa 1990, Brueckner 1986, DiMasi 1987, Neuner et al 1974, Pollack & Shoup 1977). Clever local governments, no longer able to tax willy-nilly and thus more dependent upon site Rent, would squeeze streets, now overly wide for traffic, replacing parking lanes with space for sidewalk cafes beneath rows of shady trees, alongside lanes for bikes, and thereby drive up site values.

Settle Well.

Might collecting Rent work too well? Might it spur edge-to-edge development, leaving no lot unbuilt? Not if the profit-motive is still in force. In New York, the city council keeps Manhattan's Central Park unbuilt not because Greens rule the Big Apple, but because property values overall are higher with the park than with luxury condos on the site. Leaving some parcels blank, optimizing not maximizing land use, would raise overall site values.

Covering the city with border-to-border buildings would lower overall site value. Land value is at its maximum when land use is at its optimum, when mixed use includes non-use. Some sites raise surrounding values not by being built upon but by being left open: the center for a plaza, a pari-central site for an open-air market, a ridge for a park, etc. If such sites were in private hands, owners would owe peak land dues, more revenue than a building could generate. As owners look to sell, the locality would look to buy. Planners could convert the core into a new commons as popular as a watering hole in the Serengeti.

Elsewhere in a Geonomy, owners of large lots that cover fragile marshes, river banks, or steep hillsides might want to afford their dues by developing, until they figure out how much higher would be their surcharges. Requiring an Ecology Security Deposit and Restoration Insurance from owners would steer them away from the riskier sites: cliffs and river banks. These owners might then want to sell their property margins or exchange them

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for local bonds. The locality could then link the margins up into wildlife corridors and hiking trails.

Align Interests.

Presently, owners can profit only from developing. Yet both nature and society conspire against developing all sites; some are too valuable left pristine. Were residents to receive a share of collected ground Rent (a la Alaska's oil dividend), that would partially compensate those owners unable to develop their land.

Since the land dues would eat up the gratis profit in land speculation, there'd be less wrangling over land use. While Pittsburgh was the biggest US geonomic city, it converted its most valuable location, the Golden Triangle where the three rivers meet, into a park without developer resistance or an agonizing grassroots effort. Pittsburgh, which from the late 70s til 2001 taxed land six times more than buildings, also renewed itself without federal subsidy and enjoyed the lowest housing costs and crime rate of any major US city.

A dispute over the use of some site could arise yet be easily resolved. After land dues have lowered land prices, then some sites become affordable to purchase and set aside for parks and open space. The Nature Conservancy does as much of this as it can, but after prices fall, even a local ecology club could raise enough money to buy land for a preserve. Assigning the land for non-development, their bond and insurance would be zero.

Design Well.

Architecture, too, could blossom. Frank Lloyd Wright, who'd design around a tree rather than ax it, advocated de-taxing structures while re-taxing sites. So has James Howard Kunstler, New Urbanist and critic of built design, in *Home From Nowhere* (1996). As cities grow compact and integrated, people can cure themselves of the car habit. As car use wanes, so might those garage-prominent (keep-out-snout) houses, banned by the planners of Portland, OR.

If all the acres held in private speculation and in public procrastination were put on the market, the augmented supply would drop the price. Saving money, buyers and builders could invest more in esthetics and efficiency. As in land-taxing Pittsburgh, more residents could afford to own their own homes. As owner occupants, people have more motivation to plug heat leaks and conserve energy, put in south side windows and sun decks, convert a garage to a granny flat, etc.

Convert Quickly.

How long would it take to ecologize cities after shifting its property tax? While Johannesburg levied a rate of only 3% on site value, the South African Site-Values Research Group

concluded the city enjoyed the fastest site-recycling rate in the world, a little over 20 years. Within a couple decades, we could have those cities we'd love.

As cities grow more livable and lovable, their site values rise. The resultant increase in land dues would push owners to continually convert to highest and best use automatically. In this positive feedback loop, cities would constantly renew.

While generals and anarchists might not easily find common cause, planners and markets can. Correcting the market, so taxes and Rents don't interfere with the choices of owners and developers, leaves less need for zoning, and makes any needed rules more easily enforced. Paddling with, not against, the mighty current of Rent, attains highest and best use of sites automatically.

What you can do: Show planners the 1999 January issue of their own bible, JAPA. Make sure they read the article on the Property Tax Shift. Quiz them in the morning.

(Jeffery J. Smith is the President of the Geonomy Society, a group of academics and activists who provide information about the impacts of the flow of natural rents on economies, societies, and the environment. An IRS 501(c)3, the group publishes *The Geonomist*, 10731 SE Center St, Portland, Oregon 97266 USA. www.progress.org/geonomy)
