

Enter conservancy — the third way to a better land set-up

IT HAS LONG been recognized that wealth comes from the land. In primitive societies, land was almost always held in common. Gradually this common ownership has eroded into a system of private ownership. This wealth, concentrated in the hands of a few people, to the detriment of all the rest, is the root cause of poverty. To create a just society it is necessary that the values originating in land ownership be divided among all.

There are two widely recognized methods by which community-created land values can be recovered by society for the benefit of everyone. The first is government ownership of land, as proposed by Karl Marx and others. The second is to collect the annual value of the land, from the private owners, in the form of a land tax. Unfortunately, neither of these solutions have gained wide enough acceptance to see them implemented. And even in socialist economies where governments have confiscated land, the rest of the economic system has been so out of balance that these economies have done very poorly, in spite of the common ownership of land.

There is actually a third method for collecting, for society, the land values which really belong to everyone and which largely result from the development of the community infrastructure. The value of land is best determined on the open market, when a sale takes place. Under the current system, every time a sale takes place the seller is able to pocket not only his original investment plus whatever improvements were made to the property, but also the increased values which originated in community investment. This community created wealth, when pocketed by individuals, is an unearned increment enriching the land owner at the expense of everyone else.

WERE society to place a tax on the sale of land equal to the unearned increment (actually the sum of the annual rent (tax) payments that would have been due under a land tax system), it would be collecting the values which it had created. Such values could then be distributed among those of us who do not monopolize land.

Land conservancy actually combines common land ownership, providing secure use rights to users, and the collection of the economic rent for the community. It is a private method of doing that which the government is unwilling or unable to do. Land is held in a trusteeship, for the common good, in such a way that use rights are guaranteed but the land itself may never be sold. Users pay to the community an economic rent (lease fee) equal to the annual value of the land. So the conservancy removes land

• Ecologist JUBAL STUCKI proposes an alternative strategy for bringing land into communal ownership — Fair Share Land Conservancy

from private ownership and recovers all of or most of the economic rent for the community.

That is the ideal. Unfortunately there are some circumstances which prevent the ideal from being fully realized, at least in the short run, and some compromises are necessary. It is not much different from what is happening in Pennsylvania. The ideal is to have real estate taxes on land only, and all other activities and goods, including improvements, should be tax free. That has not been possible so the next best thing has been to begin a system of gradually reducing the taxes on improvements and increasing the taxes on land. A half a loaf is better than no loaf at all.

In land conservancies similar situations sometimes exist. Perhaps some scenarios of how the land conservancy works would clarify. The following scenarios progress from the most to the least desirable and apply primarily to land in use. All or a portion of each property may be placed into a conservation preserve, and the scenarios apply to those portions which are designated for private human use.

The purpose of the conservancy is to: a. Protect land, both land in use and land in preservation, from ecological abuse. b. Collect community created land values, for the community, while at the same time providing secure tenure for users.

Community created land values can be calculated and quantified. We can define community created values as those monetary values which accrue to any particular piece of land, over a period of time, from societal and community action, and not from the individual effort and investment of the user. We can use a formula such as: $A - B(K) = C$.

If A is the current fair market value of the land, and B is the fair market value of the land at a previous time (the base period), and K is the adjustment, inflation, factor to express the formula in constant dollars, and if all improvements on the land are excluded, then C becomes the community created value. If a piece of land was valued at \$10,000 in the base period and inflation was at the rate of 4% per year for 10 years then B(K) would equal \$14,000, which would represent the users equity in the land, if the user had indeed invested \$10,000 in that piece of land. If the fair market value of the land at the end of the period

Continued on page 95 ►

NOYES GIVEN THE CHANCE TO ADVANCE INFLUENCE OF LVT

NEWSPAPER editor Richard Noyes has been appointed a member of New Hampshire's Economic Development Committee.

New Hampshire, which in the 1980s boasted one of the fastest growing economies in the union, is now suffering from one of the worst banking crises in its history.

In Richard Noyes' view, the reason is a simple one: the state failed to levy a high tax on the rental value of land — a failure which encouraged land specu-

lation during the boom years.

Governor Judd Gregg has decided to re-examine economic policies, in a bid to find solutions to the crisis, and has asked Noyes to offer his insights.

Noyes is the editor of *Now The Synthesis: Capitalism, Socialism And The New Social Contract*,* which offers a Georgist critique of current economic policies.

*Published in the US by Holmes & Meier, and available through all good bookshops price \$29.95.



• Richard Noyes

► From page 93

were \$17,000, then the community created value (excluding all improvements) would be \$3,000.

In the land conservancy, the users of the land would pay all taxes, a small administration fee to the conservancy and when use rights change hands they would pay C, the community created values to the conservancy as representative of the community.

SCENARIO I: LAND IS DONATED TO THE CONSERVANCY

A. Both land and improvements are donated, without any strings attached. Donor will not remain on the property, and has no particular agenda for how the land is to be used. 1. The conservancy negotiates a long term lease for the payment of an annual economic rent on the land, with a user or a group of users. Users pay taxes, annual rent and an administration fee. 2. The improvements are sold to the users.

B. Land only is donated, without strings attached. 1. Same as above. 2. Not applicable.

C. Land is donated, but with strings attached. Might include a life estate for donor and/or for donors' family, or specific requirements for how the land is to be used, and may include the donor or donors family or associates using the land, with nominal or no lease fees. 1. In this scenario, economic rent is not collected in the short run, but the conservancy gets an administration fee and most importantly the land has been set free of the private ownership system, so that in the future economic rent may be collected from future users.

D. Land (or land and improvements) is donated, but donor's do not feel comfortable with both freeing the land from the private ownership system and paying an annual economic rent, in addition. 1. A partial equity lease can be

• In the last issue of *Land & Liberty* we reviewed *Some Lives!* by David Widgery. The book is published by Sinclair-Stevenson, London, £15.95.

arranged, whereby the donor retains an equity in the land, but gives to the conservancy all future community created land values. This is compromise but is sometimes necessary. In the long run the unearned increment is collected.

SCENARIO II - LAND THAT IS BEING PURCHASED IS DONATED, BUT HELP IN FINANCING IS REQUIRED

A. Mr X approaches the conservancy to propose placing the land they wish to purchase into the conservancy, but they need help with financing the purchase. 1. A lease is negotiated, similar to those in Scenario I above, but it may also include a loan. 2. Either annual economic rent or collection of the unearned increment at the time of transfer of use rights, is included in the lease.

B. There may be many permutations of this scenario, similar to Scenario I above.

SCENARIO III - LAND IS PURCHASED FOR THE CONSERVANCY

A. There are many opportunities to buy land, if the conservancy has the funds to do so. In general this is something we seek to avoid. However, there may be some opportunities for the conservancy to obtain land for the trust in a developmental manner, in such a way that it both accomplishes the goals of the conservancy and provides substantial income. Here are a couple of possibilities.

1. The conservancy buys the development rights only. 2. The conservancy purchases a piece of property, subdivides and leases the lots on a partial equity lease, thereby recovering the investment, placing the property into common ownership, and collecting the unearned increment ever time the use rights change hands. 3. The conservancy may also be able to work with municipalities on some similar basis, to place underused or abandoned properties into use, thus increasing the tax base, and still meeting the objectives of the conservancy.

Fair Share Land Conservancy* is a national membership organization that would facilitate, educate, organize and actively engage in acquiring land for local and regional conservancies.

*3030 Sleepy Hollow Road, Falls Church, VA 22042, USA.