

A New Approach to Urban Renewal

ANYONE VITALLY INTERESTED in urban renewal should also be interested in a *new* approach to that problem, especially when this approach has succeeded in other countries.

Obviously something new is needed. Billions in taxes have been funneled into urban renewal and the problem of urban rehabilitation is as much with us as ever. Magazines are full of articles on urban sprawl, urban blight, slums, zooming local taxes and indebtedness. Why is it that practically no American industry needs governmental help to meet the needs of consumers—except for the gigantic home construction industry? Publicly sponsored urban renewal programs are needed. Yet wouldn't some new thinking about these problems be refreshing?

A proposal, land value taxation, which is supported by many prominent urban renewal experts, is simple enough. It advocates the gradual exemption of improvements from real estate taxation combined with a heavier tax on land.

One may wonder what this can possibly accomplish. It has accomplished a great deal in Australia and New Zealand where this tax has been used extensively. For instance, approximately 60 New Zealand communities have switched from a real estate tax to the land value tax since the end of World War II; according to one observer, the idea is spreading like wild fire. Interestingly, at least 30 per cent of the *property owners* in New Zealand must sign a petition favoring land value taxation and only property owners can vote in the final election. Evidently, there must be some genuine advantages to them in transferring the tax burden from houses and improvements to land values. At present, all improvements are tax free in 85 per cent of the urban areas in New Zealand and in 70 per cent of the rural areas; three-fourths of all the local tax revenue is levied on the land alone. And the trend is continuing.

In Australia, the situation is much the same. Every month brings

fresh news that some new locality is switching to land value taxation despite the requirement in that country that two-thirds of the landowners must approve of the switch. Some suburbs of Melbourne tax land values and others tax land and buildings alike. A survey shows that the taxing land values suburbs have faster growth rates, fewer slums, and less urban blight and sprawl than similar suburbs using the more conventional tax system. Hawaii has had a severe land problem. Its legislature just recently passed a land value tax bill. It is too soon to judge the results there, but in Pittsburgh, land has been taxed more heavily than buildings for decades. This practice has been endorsed by city officials representing both political parties, by the editors of leading newspapers and by numerous civic organizations.

Who are the urban renewal experts who have endorsed land value taxation? *House & Home*, *Nation's Cities*, *American City Magazine* and the *American Journal of Economics & Sociology* have given it editorial support, as has an article in the *Reader's Digest*. The Urban Land Institute has published a study advocating land value taxation. Detailed case studies of Dayton, Ohio, and Bethlehem, Pennsylvania, by professional economists show that these cities would benefit from the introduction of land value taxation (especially by attracting new industry). This quotation from a recent article in *Fortune* sums up the thinking of these and other urban renewal experts:

There is an evident inequity in a system that puts most of the tax burden on property improvements while preserving anachronistic tax incentive to land ownership that encourages an artificial land scarcity—and resultant high prices underlying all buildings.

More and more tax authorities are endorsing this proposed shift of the real estate tax from improvements to land values. The evidence coming in from Australia, New Zealand and elsewhere can no longer be overlooked.

This proposal can help many towns attract new industry. It offers the prospect of living in a better and brighter urban America. The billions now being spent on urban renewal will not succeed in solving the problem unless our municipalities also adopt a tax system that provides an incentive to real estate ownership and construction instead of imposing heavy financial burdens on them.

This reform will provide a constant spur to urban renewal—not merely a one-shot injection—while at the same time, it will provide a municipality with revenue instead of costing it a small fortune.

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