

TO: DR. THOMAS H. SMITH, DIRECTOR OF EDUCATION
FROM: MIKE CURTIS, PHILADELPHIA EXTENSION
RE: ARDEN, DELAWARE
DATED: 4/6/00

Enclosed is my article on the status of Arden and its
current strengths and weaknesses.

Tom I ~~mean~~^{meant} to send this
before, with the Arden Book.

Mike

the money and buy the land, no one can ever raise your rent again. Those who can't afford to invest in the speculative price of land are destined to be renters.

No Need to Buy a Piece of Land

A land trust can buy land at the speculative price and lease it out at its much lower current market value. During the early years of a lease, the trust absorbs the loss. Each year the rental value is reassessed and the rent is adjusted commensurately. In time, most land will yield more than enough to make payments on the purchase price. As the surplus accrues, the trust can purchase additional land and extend to others the same opportunity to use land without investing in the speculative price.

Wealth and Income Taxes Converted into a Potential Rent Tax

Only through the lease agreement can the land holders be shielded from the government theft of their private property, and forced to contribute to the community in reference to the value of the benefits they receive through the exclusive position of land.

The trust simply pays all the confiscatory taxes levied upon the wealth or income generated within the trust and pays them out of the rents levied upon the annual value of the leased land.

The Full Rental Value

Arden, which was started as a Georgist Land Trust, has evolved over the years, but its basic documents are still in tact. The land is owned in common. The streets and park lands, which make up about half the area of the village are owned by the political entity, "The Village of Arden". The other half of the land which is leased in varying sizes for houses etc. is owned by the trust. Instead of a Deed, the people who own houses and other improvements have a lease.

The Deed of Trust and the lease agreements require that the land be leased at its full rental value. Out of the rent so collected all state and local taxes are to be paid so far as the rent is sufficient. Any remaining balance may be spent for such common purposes as desired by a majority of the residents, so long as those disbursements are properly public.

The Annual Board of Assessors

The assessors are sworn to assess as nearly as possible the full rental value of each of Arden's leaseholds. However, a provision of the charter allows an alternative assessment submitted by any leaseholder and approved by two thirds of the Town Assembly and again by referendum, to become law. The alternative assessment is not required to be the full rental value. Ironically an alternative assessment has never been adopted.

In the early years there was a mortgage to pay on the purchase price of the land, streets and public improvements to build, and a reluctance on the part of many prospective residents to build a house on a piece of land you couldn't own. It is likely during those early years that the full rental value of the leaseholds totaled just enough to pay the taxes levied by the county on the buildings and land, make the payments on the mortgage, and provide a reasonable level of revenue for the maintenance and improvement of Arden's infrastructure. In other words, the full rental value of the land was being collected and spent for the needs of the community. (When the state began to levy income and other taxes, they were disregarded by the trust.)

As time went on, the mortgage was paid, the roads were complete, water, gas, electric and, much later, sewers became available, the rest of the county increased in population and development, and the value of Arden's land increased. The value of Arden's land increased at a much faster rate than its expenses, a trend that continues. Unfortunately, no provision was made for buying more

ARDEN DELAWARE

By Mike Curtis

The story of Arden really begins in 1895 with a political campaign. The Single Taxers believed if they could get one state, in this case, Delaware, to adopt the Single Tax, they would have a demonstration that would soon convince the world of its merits. After more than a year, \$25,000 and thousands of speeches, they got less than 3 percent of the vote.

However, one of the campaigners, Frank Stephens, thought that if they couldn't win a whole state, maybe they could demonstrate the virtues of the Single Tax with a little village. Stephens, with the assistance of his friends, Will Price, the architect, and Joe Fels, the millionaire soap manufacturer, started the enclave.

Arden began in 1900, Ardentown in 1922 and Ardencroft in 1950. All together the Ardens take up 330 acres and have about 1500 people. What is true of Arden is to a greater or lesser extent true of the other two.

The Village of Arden is run by a Town Assembly form of government, a "participatory democracy". The standing committees, elected by the residents who are present at Town Assembly, make up the executive branch of the government. The Chairman of the Town Assembly is the chief facilitator of the government and signs all the official documents, but has no executive authority. There are two part time employees of the village who are paid. All other town officials are volunteers. The legislative body is the sum of residents who attend the Town Assembly. Each year the Annual Budget is confirmed by a majority referendum of all adult residents. Not voting is a NO vote.

Approval of a new Trustee or an alternative assessment chosen by two thirds of the Town Assembly are also decided by referendum. The Arden Board of Assessors is elected each year by a special type of referendum using the Hare system of proportional representation.

The Potential of a Georgist Land Trust

Before it is possible to judge the success or failure of Arden as a Georgist land trust, it is necessary to understand the limitations of such a trust.

Unless you have an enormous amount of land and can limit population, you can't create a frontier. If you can't offer free land, you can't alter the distribution of wealth--raise wages and interest and lower rent. However, there are two primary things a land trust can do that cannot otherwise be done through the democratic process. The first is to remove the need to invest in the speculative price of land. The second is to transform a confiscatory tax system based on private property into a payment for the exclusive possession of land, which is common property.

The Speculative Price of Land

In the simplest terms, the difference in payments between leasing and buying a building, is how quickly you want to pay off the debt. If you don't pay off the principal, all other things being equal, the payments are about the same.

Land is different. In most cases its profitability increases much faster than inflation. Its price, therefore, is always based on a projection of its future profitability. A building lot with a present potential profit of \$3,500 per year might well sell for \$50,000. If you borrow the money to pay for the land at 10 percent, you'll have to pay \$5,000 per year to the bank in interest. That's \$1,500 more per year than you would have had to pay its owner in rent. However, if you borrow

land or any other external expenditure.

The majority of residents, who elect the assessors, are also lessees. They see their interests as lessees, who pay the rent, as being greater than their interests as residents, who received the rent in the form of public amenities.

Having never considered the option of a cash dividend, the residents have simply elected assessors who would determine the monetary needs of the town, and then solemnly swear that the monetary needs of the town are exactly equal to the full rental value of all the leaseholds. In other words, they lied. There is testimony as early as 1912 that suggests this practice had already begun.

Because all the rent is not collected, the leaseholders enjoy what Georgists call an Unearned Income (Money collected or saved). This Unearned Income is calculated in a speculative projection and capitalized into a selling price. The net result is that land in Arden sells for just as much, given its advantages and disadvantages, as land sells for anywhere else in the county. The leaseholders enjoy the Unearned Income and the Unearned Increment (the increase in the selling price), and those who want to live in Arden have to pay the speculative selling price of the land, in spite of the fact that they only get a lease.

This failure, perhaps an oversight of the founders, was caused by not having an outside entity entitled to the surplus rent. There is no doubt it was a monumental undertaking to establish the trust and the village, and it may well have been impossible to find lessees under provisions that part of the rent would be spent for the purchase of more land or education. However, the absence of an outside entity entitled to the surplus rent, ensured this ultimate failure.

Development Restrictions

The founder had in his house a hand carved quotation of Themistocles. It read "I cannot play upon any stringed instrument; but I can tell you how of a little village to make a great and glorious city"

Today, Arden's residents have another idea. Arden's land continues to increase in value, but the town restricts additional dwelling units and therefore a greater density of population. It lowers values and often requires people to hold more land than they want to, the antithesis of the Single Tax incentive.

Arden Transforms the Real Estate Tax

If nothing else, Arden as a Georgist land trust, has accomplished one thing perfectly. It has transformed the county and school real estate taxes into a land value tax. The Real estate tax bills go to the legal owner of the land, the Arden Trust, and the money to pay the taxes is raised from leaseholders in proportion to the value of their land only.

We are told that Arden gets its name from a forest in a Shakespearean play. "Now am I in Arden?" says the character, "The more Fool I." In Arden, If you own a \$250,000 house, you pay no more in taxes or land rent than your neighbor does if she owns a \$50,000 house on a similar piece of land. However, the more your house is worth, the more everyone's land rent increases.

That's why people say: "in Arden, they take from the poor and pay for the rich." "Now am I in Arden? the more Fool I." The truth is, however, within the leaseholds of Arden, the value of houses and other improvements belong unconditionally to their producers or their assignees, not in any degree to the government or the community. Conversely, each leaseholder within the community is required to contribute to the community in direct proportion to the benefits she receives from the community; a small, but very real step toward the Georgist goal of justice. []