

Conference Papers

REVIEWED BY JULIA BASTIAN

Below are summaries of some of the Conference Papers presented at the Twelfth International Conference on Land-Value Taxation and Free Trade, held at Caswell Bay, South Wales, September 8th-14th, 1968. Further summaries will appear in subsequent issues.

The Southfield Story: A Lesson in Creative Taxation

BY TED GWARTNEY

THE STORY of how land-value taxation came to Southfield, Michigan, is told by Mr. Ted Gwartney, Southfield's City Assessor. This progressive city is fast overcoming problems of blight, poverty, and high taxes and is beginning to demonstrate to critics what land-value taxation can achieve when put into practice.

Southfield is rated one of the biggest growth cities in the U.S.A. Since 1958 it has tripled its assessed land value. Over three million square feet of office space has been erected since 1960—ten per cent more than in Detroit—while over one thousand new homes went up last year.

Much of this activity stems from the city's policy of land assessment which for six years now has differed from that of most other American cities. Land is assessed on its *full market value*, however it is used, or not used, with a yearly appraisal of all property. City services are financed from a property tax rate lower than that in any comparable city in the State, and unlike other major cities, Southfield does not need to levy a municipal income tax.

Turning point in the city's fortunes dates from the election of Mayor James Clarkson in 1961. The state government had been advised by a committee of investigation to implement some form of land-value taxation, but had done nothing. As Mayor of Southfield, James Clarkson decided to do something in his own city.

A committee was appointed to study assessing practices. Mayor Clarkson demonstrated to them that a better job of appraisal could be done, thus triggering off a complete reappraisal of land values throughout the city. This move resulted in widespread increases in valuation amounting to \$45,000,000. An astonished Council finally consented to depreciate all building assessments by exactly half this amount.

When the new land reappraisal programme was complete the City Council decided not to implement it, but the Federation of Homeowners Associations, which represented the majority of homeowners in the city, filed a lawsuit to enforce the new assessments. The homeowners won and were soon enjoying reductions, not only in assessed values but in municipal tax rates also. Land speculators, too, were "enjoying" big increases in their assessed value.

The new policy thus established, Mayor Clarkson went on to win four more elections, all on a platform of LVT.

Today a householder's assessment is no longer increased because he modernises—installs storm windows, new gutters or lays a drive—while those who fail to paint the fabric, repair or maintain their property gain nothing in tax reductions.

The Assessor's Office in Southfield is kept busy handing out information to other cities, both inside and outside the U.S.A., all anxious to hear more about Southfield's "creative taxation."

Mr. Gwartney outlines how, with the help of a computer system, re-appraisals are accomplished. Once a year a city-wide reappraisal can be done, which takes only three hours, and costs less than a new secretary.

Heavy taxes on improvements are bound to discourage property owners from making improvements. The bigger the improvement tax, the greater the disincentive to improve. In Southfield, however, heavy taxes on land values encourage and sometimes compel development. The bigger the tax, the greater the pressure on land owners to improve—or sell out to someone who will.

The Land Commission's Betterment Levy

BY VICTOR SALDJI

THE TWO major objectives of the Land Commission Act are (1) to secure that the right land is available at the right time for the implementation of national, regional and local plans, and (2) to secure that a substantial part of the development value returns to the community, thus reducing the burden of the cost of land for essential purposes.

So far, so good. But Mr. Saldji's paper serves to remind us that the Land Commission Act, 1967, gives the Commission wide powers of acquisition, management, and disposal of land. There is grave concern that such power may bring about "back-door" nationalisation of land, although up to now few land purchases have been made.

The 40 per cent betterment levy charged on net development value, realised on the disposal or material development of land after 6 April, 1967, resulted in the frenzied digging of thousands of trenches and holes, to establish that development had already begun! Labourers and mechanical diggers were working "flat out" all over Britain for several weeks prior to this date. By spending less than £50 a trench, one newspaper reported, builders may have saved hundreds of pounds in levy.

Complete stagnation followed all this activity, but after a few months the market recovered, although such parcels of land as did come up for sale were snapped up at record prices.

Quite apart from party political considerations, the betterment levy is a wholly undesirable penalty on land