



**ALANNA HARTZOK says:**

# Land value: key to city finance

**S**OUTHERN Pacific Land Company recently unveiled the largest private development plan ever proposed for the city of San Francisco.

This \$4 billion undertaking is on 195 acres, one mile south of downtown San Francisco, and features fair-like architecture and landscaping and Venetian waterways.

Southern Pacific has owned this land for about a century and is currently the site of underused rail yards and marginal industrial activities.

The plan includes 7,000 housing units, 11.7 million square feet of office space, and 40 acres of new parks and waterways. The centrepiece of the mixture of high and low-rise office, residential, and retail buildings is an 8-acre central park ringed by a recreational and scenic canal connected to an 11-acre lagoon.

This Mission Bay Project would take about 20 years to complete. The number of new jobs is estimated at 58,000, the tax revenue at \$54 million a year, and Southern Pacific would spend \$100 million in infrastructure for streets, utilities and sewage lines.

*Though this grandiose scheme might be warmly welcomed in other cities, the first public hearings in April before the Planning Commission in City Hall were greeted with an outpouring of protests.*

A combined lobby of 20 organizations included the Sierra Club, neighbourhood associations, transit and affordable housing advocates, minorities, and wildlife supporters.

Representatives of these groups claimed that the Mission Bay Project presented serious planning problems city-wide, but especially in the adjacent neighbourhoods which house about 18,000 people, mostly low-income.

The prime concern here is affordable housing in a city where rents have already gone through the roof. Low-income housing and schools do not feature in the plans, in spite of an anticipated population of 15,000.

According to one consultant, Mission Bay Project would bring 72,000 additional 9 to 5 commuters and as many as 120,000 people from outside the city looking for places to live.

Presently, 42 per cent of San Francisco's downtown workforce live outside the city because of the shortage of affordable housing.

San Francisco Tomorrow, a community organization, estimates that all the jobs created downtown over the past ten years have produced only 5 per cent new employment for residents of San Francisco. Since office workers are often single, they can pay higher prices for existing low income housing, thereby displacing current residents.

The project also will have a strong impact upon working class residents who have jobs in this area. Over 500 blue collar jobs will be lost as five or six warehouses are shut down. A large percentage of the threatened

workers are from Third World and minority groups.

Local labour unions have refused to endorse the proposal and an NAACP representative demanded that Southern Pacific establish affirmative action programmes to aid in industrial retraining. Despite one of the most intense years of office construction in the history of San Francisco, the unemployment rate in the building trades is at 30 per cent.

**C**ALIFORNIA has one of the most concentrated land ownership patterns, with 1 per cent of the population owning over two-thirds of the land (*Congressional Record*, 1981, p. S12323).

*So how did Southern Pacific come by the most extensive of these holdings?*

Railroad land grants began in 1850. Shortly thereafter, Northern and Southern Pacific railroads were



● San Francisco - high land values in the city

granted 25,600 acres per mile of railroad that was to be built.

The three Pacific railroads totalled 150,000,000 acres – more than is contained in all Germany, Holland, and Belgium combined.

The Southern Pacific grant withdrew from settlement a belt of land sixty miles wide in California. This was given to a corporation, not for building a railroad for the government or for the people, but for building a railroad for *themselves*, a railroad which they were to own as absolutely as they would own the land.

**The land was given outright as though it had not and never would have any value. And this land was prime agricultural land, fine grazing and timber land, and land of enormous value from coal, salt, lead, copper, and other minerals.**

What does this assortment of facts and figures have to do with the citizens of San Francisco in particular?

As enormous as is the *amount* of acreage owned by Southern Pacific, the present value of its parcels held in major urban areas is like diamonds among coal when compared to rural holdings.

In industrial civilization it is the location or site value of land that – when monopolized by individuals or companies – creates wage slavery, just as control of extensive acres under feudalism produced serfdom.

For example, an acre of land in feudal, agricultural society might employ five people, but the same size lot in an industrial or commercial location often employs thousands. Thus, in industrial civilization, urban land monopolists, as a result of their excessive economic power, are predominant political forces in the cities.

Naturally, planning problems are created by the inordinate amount of economic clout. Without the behemoth in the neighbourhood, growth would proceed much more organically and gradually, lessening the need for bureaucratic planning while increasing neighbourhood power.

Concentration of economic power undercuts advantages that would otherwise be evident in a truly free enterprise system. Any plan of economic development that can force thousands of job-hungry people into 9 to 5 labour, entailing long commuting distances because of the lack of affordable housing, is inherently promoting industrial wage slavery.

*Land monopoly undermines the family structure to the extent of making it disappear.*

Presently, in order to support a family, both parents need to be working, usually full time. Mom, Dad, and the kid(s) go their separate ways. All day long. Most of the time. Some family life!

Meanwhile, many office workers remain single, in part because of the all-consuming demands of the workplace, yet with still no sense of real security on which to build a happy family life.

**S**HOULD we feel more compassion for families that are unable to afford decent housing, or for single people who are unable to afford to have families?

With all of our technological advances and greatly expanded

**THE RILE** caused by Southern Pacific's development plan affords an excellent opportunity to look more closely not only at city planning policies in particular but at the deeper and more general issue of land ownership patterns in California and throughout the United States.

● Southern Pacific is the largest private land owner in California, holding more than 2,411,000 acres of prime industrial, commercial, timber, agricultural, and commercial lands.

● A little over half of California's total land is privately held (about 51,000,000 acres) so Southern Pacific's section is 4.7 per cent of this. That is more than the total land under all the homesites in the State.

Second in line in ownership is Shasta Forest Company with 479,196 acres.

● Nationwide, Southern Pacific is the twelfth largest private landholder, with about 5,200,000 acres. Exxon is Number One with 40,249,000 acres, with Standard Oil of Indiana runner-up with about 27,000,000.

Standard Oil of California reigns over 9,000,000 acres throughout the country.

● To stretch this out further, an Economic Research Service study concluded that 568 companies controlled 301.7 million acres of U.S. land – more than 11 per cent of the total land area of the entire country and 23 per cent of all U.S. land in private hands. Those same companies' land interests, worldwide, comprise a total area larger than that of Europe – almost two billion acres.

● Taking total population and total private land area into consideration, it is estimated that less than 3 per cent of the population of the U.S. now owns 95 per cent of the private land therein.

● The Census Bureau estimates the total land price to be two trillion dollars (\$2,000,000,000).

increase in productive capacity and know-how, a truly free enterprise system would have created a maximum work week of about 20 hours by now, with the purchasing capacity to secure basic necessities and some of life's luxuries for all.

*Why this is not the case is the real question that must be asked.*

When this question is addressed in a way that separates land and natural resources (gifts of nature that are necessary for life), from the products of human labour (which includes capital), then it is possible to formulate a non-Marxist, non-State bureaucratic approach to freedom in production and exchange.

Such an approach can value and uphold democratic political freedoms and individual rights by extending those same rights down into the source of all production.

**The right to life, liberty and happiness can be fully secured only when everyone's right to the earth itself is the foundation of the economic system.**

**T**HE KEY problem facing San Francisco and nearly all our cities now is *not* whether valuable urban land should be used for industrial and commercial purposes or warehouses, housing, or Southern Pacific's proposed 195 acre "minicity". *Rather*, the challenge lies with and economic system that is based on a land tenure and tax system that is grossly unfair and undemocratic.

A properly-designed tax system would allow for a more even development of urban (and rural) areas. The *whole community* would benefit by the increase in land values that are, in fact, created by the community.

A city's huge capital investment, acquired through the years by the expenditure of its people's monies, includes streets, pavements, water supply, sewers, transit facilities, parks, playgrounds, schools and libraries and equipment of the protective services of police, fire and sanitation, etc.

All these services, created by the citizens of San Francisco, have helped create the extremely-high land values in the city. These land values are the rightful income of a city and should be used in meeting its expenses. The city should collect (tax) this socially created "economic rent" and return it to its citizens in the form of needed services.

With the collection of full economic rent of the land, Southern Pacific would have been forced to put its land to better use (more jobs and more housing) a long time ago, rather than reaping windfall profits as land speculators.

*They could earn an honest living as productive capitalists rather than monopoly landholders.*

**T**HIS IS what happened in parts of our State irrigation districts under the Wright Act earlier in the century.

As access to water made lands more valuable, the rise in land values created by this service was used to pay for the system.

Not only were these irrigation projects locally financed, but the game of speculation in land values was curtailed as 81 large landholdings were broken into over 7,000 parcels for successful, diversified small farming operations.

This is California's shining example of land reform through a proper tax reform. The wholesomeness of community life in Wright District towns such as Dinuba, in comparison to towns in corporate farming areas like Arvin, was documented by the well-known Goldschmidt report to the Senate Sub-committee on Small Business completed in 1946.

What would happen to Southern Pacific's 195 acres south of Market Street under a similar use of the tax system?

At a value of about \$250 per square foot, this parcel, when developed, will be worth at least \$1½ billion. This value is created not just by the Southern Pacific but by the presence of all the people of San Francisco.

Based on this \$1½ billion land value, which is probably an underestimation, the economic rent of this parcel would yield over \$150 million dollars back to the city each year – nearly three times the amount estimated under the current system.

In other words, just this parcel alone would generate 15 per cent of the city's current budget of \$1 billion.

Implement this same system throughout the city, which includes, of course, Southern Pacific's other enormously valuable downtown properties, and you would have a well-funded local public financing system with absolutely no burden imposed on productive enterprises.

In fact, the other half of this proposal is that:

- All taxes on labour could then be gradually lifted.
- The inflated cost of land caused by speculation would be undercut, and
- Land would become more affordable for needed use such as housing.

*This dynamic tax restructuring would take the land monopoly game out of capitalism and allow individual and cooperative initiative to get the job done.*

## AROUND THE WORLD

# Honduras: repression mounts as peasants demand reforms

**R**EPRESSION is intensifying in Honduras, where democratic politics and guerrilla warfare overlap in a confusing mixture.

The country is used as a jumping-off point for civil wars in the two neighbouring countries.

● **LEFT-WING** guerrillas fighting the government in El Salvador receive their military supplies from Cuba and the USSR via Honduras.

● **RIGHT-WING** guerrillas, backed by the CIA, use Honduras as their base for attacks on the Sandinistas who overthrew Somoza and now run Nicaragua.

The USA is pouring money into Honduras to bolster the fragile government of President Roberto Suazo Cordova.

This support, however, is seen by many as undermining the credibility of the civilian government, which was elected to power in 1981 after years of military rule.

Honduras, the poorest country in Central America – per capita income is £50 per annum – is turning a blind eye to the machinations of both right-wing and left-wing organisations.

The military, however, is gaining the upper hand. The violation of civil rights is on the increase.

*Guardian* correspondent Tony Jenkins has listed the reasons for the repression in a report filed to London on July 15:

- 582,000 peasants are landless, while 627 landowners own 65 per cent of all farm land;
- 40 per cent of the population is illiterate, with poor prospects of industry-based jobs.

Jenkins wrote: "The pressure for land reform is growing quickly. The government has now ended 10 years of legalised land 'recuperations' and threatened peasants with 12 years gaol for seizure of private property.

"In response, some of the landless have started to face the army with machetes. Five hundred peasants are now in gaol and another 700 face court cases."

The peasant organisations face a dilemma. If they do not act, the hungry people will not acquire the land they need to feed their families.

But if they are seen to be succeeding, this would be the excuse that the army needs to overthrow the democratic government and return to military dictatorship.

**D**ALLAS property owners are due to reap a handsome gain in values.

Voters have backed the plan for a rail network. The cost: \$3.4bn.

The money will be raised by a 1 per cent increase in the local sales tax. This will increase the cost of living for consumers, but rents and the buying price of land near the railway stations will soar once the trains start to roll.

**T**HE PRESENCE of Royalty, it seems, is good for property values.

Prices have been rising rapidly in Gloucestershire. And one of the reasons, according to local estate agents, is that members of the Queen's family have been buying houses in the county.

First to make a mark on the market was Princess Anne and her husband, Capt. Mark Philips, who bought Gatcombe Park. Then Prince Charles and Princess Diana bought Highgrove.

## Double-tax: cont. from P.106

from 4 per cent in 1979 to over 7 per cent last year.

And there is a danger that potential industrial land will be diverted for housing development, as the supply of housing land in the city becomes tighter. This, in turn, will push up prices further:

"Although values are at present similar, disposal is generally quicker for housing, and this may be expected to lead to a premium on price," says the report.

Birmingham has a proud tradition of industrial entrepreneurship.

Her manufacturers were among the world's leaders in the 19th century, but the city's industrial base has declined steadily in recent decades.

It is not surprising that the city's councillors should be contemplating action to reverse this process.

But while short-term considerations may necessitate the expenditure of taxpayers' money, they should also take into account the reforms that would guarantee long-term prosperity.

At the heart of such a strategy would be the imposition of a cost on the holding of vacant land, to cut back the selling price and increase the supply of land to those who wish to use it productively.

\*Industrial land resources in Birmingham, Planning Dept., City of Birmingham, 10.2.83.