

Vancouver's LVT Study

"MUCH has been spoken and written about the effects of taxation on development, but precious little has been based on scientific investigation, especially in North America," said Frank Wiles, an associate of Mary Rawson, in an address to the international conference in New York in August.

He illustrated a carefully documented study of relationships between development and taxation and shifts in tax burden in downtown Vancouver, as well as development consequences resulting from a change to land value taxation. Vancouver, with a population just under 400,000 is the largest city in British Columbia. Of the two million population in the Province, nearly half live in this metropolitan area. The central commercial zone of the city contains the head offices of firms and retail outlets serving the entire province. The pattern is generally consistent with what one would expect, with the peak values radiating out along major traffic routes and at the intersection of important streets.

Last year 73.6 per cent of Vancouver's total revenue (\$67,302,699) was derived from property taxes and levies. Thus property taxes are the major source of revenue by a considerable margin. Land contributes a little under half of the property tax revenue and about one-third of the total revenue. Land is reassessed every year, but improvements, where values are changing slowly, are reassessed only every five years, although they may be amended by allowance for depreciation. Reassessments are more frequent where or when values change more rapidly, and when changes in value occur through construction, alterations or demolition.

Information on assessments in the central commercial zone was compiled, parcel by parcel, and related to the data available for the city as a whole. Consequently it was possible to deduce information about the non-central area and to make comparisons. One might expect to find that a change to land value taxation in the industrial zone would result in a shift of tax burden to that area, but such does not appear to be the case.

A change to LVT would shift the tax burden from intensively to poorly developed properties — that is, from those with high ratios to those with low ones. Thus there would be a shift from the remainder of the city to the central zone. However since the ratios studied were only slightly above and below the average, the shift is hardly significant. Shifts within the commercial area and between types of land uses, appeared to be more significant — the most dramatic being that from apartments to "vacant" lands. Within the commercial and industrial classes there are many gasoline service station sites and many nearly-vacant parcels such as those used for parking lots and advertising billboards. These would receive a significant impact as a result of a change to LVT — a fact which is concealed by the over-all ratios.

In the zone studied 45 per cent of the total values occupy only 10 per cent of the land area. These parcels contain 26 per cent of the land values as compared with 55 per cent of the improvement values. Thus improvement values are more highly concentrated than land values.

Shifts in the incidence of taxation following a change to LVT would depend on the ratio of total assessed

value to assessed land value. The land value tax has been plotted as a percentage of the present tax against the ratio. The average ratio for the city is a pivotal point in that taxes under LVT would be the same for properties at this ratio, but they would be lower for properties with higher ratios and higher for properties with ratios below the city average. The degree of increase or decrease resulting from the change depends on the "distance" away from the average ratio. Within the core there would be substantial increases on the poorly developed sites and moderate increases on many of the well-developed sites.

The shifts in incidence of taxation resulting from LVT have been discussed in terms of increases and decreases, but these might be considered by those affected as penalties and benefits respectively. In analyzing the overall economic effect, one might consider a decrease as a removal of a penalty and an increase as the removal of a subsidy. The subsidy resides in the fact that low-ratio properties either are not developed to their present full potential, or that the landholder is enjoying more than his fair share of community-created value, or both.

Removal of this subsidy would tend to make land withholding less attractive, while removal of the penalty would make constructive investment more profitable. Revenue from low-ratio temporary uses, such as parking lots, would be less adequate for "carrying" the property. This effect would have a bearing on blighted properties and such non-blighted uses as billboard hoardings and service stations.

The near-vacant sites would probably become smaller in extent and fewer in number and the parking function many of them now fulfill would be more efficiently performed by parking structures. Increased incentive to invest in buildings, resulting from the removal of taxes on improvements, coupled with the increased tax incentive to use the land productively, would loosen up the market in downtown real estate. At present the economic well-being of the main downtown retail streets is endangered by an increasing vacancy rate as firms go out of business or move to secondary streets, or suburban shopping centers. Rents are often held (by absentee owners) at levels based on a productivity higher than that presently indicated by such practical factors as pedestrian counts. If there were both greater pressure and greater incentive to improve the convenience and amenity of the downtown area, both business tenants and shoppers would be more inclined to patronize it.

The combined "carrot and stick" tendencies of the LVT in encouraging development and discouraging withholding would facilitate consolidation and redevelopment of areas having divided ownership at present. On one hand developers would be more apt to realize the full potential of enlarged sites if there were no tax penalty for so doing. On the other hand one could expect the construction of large modern buildings more in keeping with today's needs and tastes. The data indicated a strong correlation between site size and intensity of development relative to land values.



The battle with the slum began the day civilization recognized it as her enemy. It was a losing fight until conscience joined fear and self-interest against it. When common sense and the golden rule obtain among men as a rule of practice, it will be over. The two have not always been classed together, but they are plainly seen to belong together.

— Jacob A. Riis