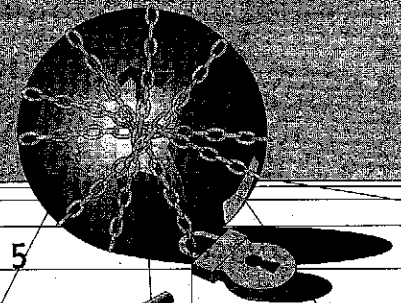


# GROUND SWELL

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## SOUTHFIELD AND OTHER SUCCESSFUL LAND VALUE ASSESSMENT EXPERIENCES

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(Ted Gwartney spoke on Aug. 5, 2015 at the Council of Georgist Organizations conference in Southfield, MI on Southfield's 1960s Boom and Other Successful Assessment Reforms.)

My background in becoming a Georgist land value tax assessor had a simple beginning. In 1963 I was a real estate major at San Diego State University. My college courses included real estate appraisal which interested me because my father was a real estate broker. While I was a student at SDSU I noticed an announcement on the bulletin board for an off-campus course given by the HGSD that advocated taxing land values and reducing all other taxes. I attended their meetings to try to prove that they were wrong. The course required reading "Progress & Poverty," by Henry George. Then I understood why they were advocating land value taxation. I became a Georgist. After first working as an appraiser for two years, I saw the opportunities of using Henry George's principles in an assessment career. As an Assessor I applied the principle of raising more revenue from land rather than from buildings.

### LAND ASSESSMENT POLICIES

Most state laws allow greater land value taxation to be achieved by simply using sound assessment methods:

- \* Improve assessment procedures, land is usually under assessed
- \* Increase the frequency of assessment, best done annually
- \* Assess property at the selling prices in the marketplace
- \* Show the land and building assessment portions separately
- \* Depreciate buildings and improvements
- \* Shift assessment off of buildings and onto land

Each property has a land value and if improved it also has a building value. Buildings are capital improvements that are created by man's labor and incur a cost to produce. They wear out over time and must be maintained and eventually replaced.

Since land value is not created by man it has no cost to produce and does not wear out over time. It is nature's gift

to mankind. Land is defined as everything that is freely supplied by nature, which includes all natural resources, such as air, soil, minerals, airwaves, forests and water. Everything not made by man, is categorized as land. Land's uniqueness stems from its distinctive location, fixed supply and immobility. Land is required in the production of all goods and services. Land is our most basic resource and the source of all wealth.

### LAND VALUE TAXES FOR COMMUNITY REVENUE

Land value comes from ecological and social endowments, not the personal activities of individuals. Land value varies by location and available amenities. It increases because of people's competitive desire to use the best land site. Since land is fixed in supply and cannot be expanded, demand is the sole determinant of land value. As the demand for land increases, the value of land will increase proportionally. Collecting a land value tax will enable the community to attain a sustainable and growing revenue base for funding community services. Land is visible and can't leave the community because it is taxed.

Collecting land value taxes (LVT) would fund public service needs and also provide economic benefits to the community. LVT would encourage urban development; reverse the detrimental use of farm land and the sprawl into rural areas. LVT would reduce land speculation and premature land use. Land speculators would be encouraged to build or sell to others to recover their carrying costs. This would foster the most efficient, "highest and best" use of land. Land would cost less and be more available.

### UNTAXING PRODUCTION

Raising revenue needs from land value taxes would allow lowering taxes on building, production and distribution which would foster economic activity. With increased private funds available by reduced taxes on productive activities, new small businesses could begin, with new investment and opportunity to be involved in productive activities. New jobs would be created and wages would increase. Collecting land value taxes would provide the sustainable public revenue for the community's economy. (continued on page 14)

## **SOUTHFIELD & OTHER L.V. ASSESSMENT**

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### **SOUTHFIELD, MICHIGAN**

Jim Clarkson was a Michigan state representative who was invited to visit the cities of Pittsburg and Harrisburg Pennsylvania where two rate property taxes had been used successfully. He was convinced but did not have adequate support to change state legislation allowing greater land value taxation.

In 1961 he was elected as the mayor of Southfield. As mayor he observed that city assessments were out of date. He convinced the city council to update the assessments. He knew that updating property assessments would cause land assessments to increase and building assessments to decrease. The results would be similar to a two rate system because in Southfield land taxes would double and building taxes would drop by one third.

The Southfield Assessor had the right and duty to make these changes under the existing Michigan assessment statutes of fair market value. He refused to update the assessments and was fired. Jim Clarkson heard of my interest in assessing land properly. He asked me to become the new assessor promoting sound assessment reform.

Under my leadership, the staff updated the assessments and the results were spectacular. Because of building depreciation most homeowner taxes decreased. Land speculators saw the advantage of selling vacant sites to others who did build. This advanced the concept of highest and best use of land sites. Land became available at more reasonable rates.

The assessor's office produced a brochure encouraging people to maintain and improve their buildings. It included a list of improvements that could be made that would not increase assessments. Plans were also made to update assessments annually.

### **SOUTHFIELD COMMERCIAL PROPERTY**

Southfield became Michigan's undisputed business center. There were more than 27 million square feet of office space and over 7 million square feet of retail and industrial space developed.

There was more office space developed in Southfield than in the central business districts of Cleveland, Cincinnati, Detroit, Indianapolis or Kansas City.

Today Southfield has more than 9,000 businesses, including over 100 "Fortune 500" companies located in the city. It has a modern infrastructure, including citywide fiber optics.(continued on page 15)

## **SOUTHFIELD & OTHER L.V. ASSESSMENT**

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### **SOUTHFIELD RESIDENTIAL PROPERTY**

Southfield is ranked, by Forbes magazine, as one of the nation's most livable metro-area suburbs. It was selected as metro Detroit's most livable community.

Southfield is home to ten outstanding colleges, universities and trade schools. Today there are nearly 200 restaurants, recreational and cultural entertainment options. In total there are more than 35,000 residential homes and apartment units.

### **PROVINCE OF BRITISH COLUMBIA**

In 1973 I began a one year consulting assignment to review and make recommendations to a newly elected parliament for improving the assessment systems in the Province of British Columbia Canada. The assessment procedures were carried out by assessors employed by 140 separate city and district assessing units. There was an inefficient distribution of assessment personnel and different procedures used by the separate taxing units. An Assessment Commissioner was responsible for equalizing assessments for the assessing units.

Beginning in 1967 a law had restricted the amount by which individual assessments could be increased. This caused distortions and inequities in relationships within and between the various classes of properties.

My recommendation was for legislation to be introduced to create a Province-wide Assessment Authority. The Authority was to be independent of the taxing function (both municipal and provincial) and its control would result in complete independence. Annual reassessment of all lands and improvements was essential to the achievement of equity in real property taxation. The Authority was created in July 1974 and I was appointed as the Assessment Commissioner in the following year.

The purpose of the Authority was to establish and maintain assessments that were uniform in the whole of the Province in accordance with a new Assessment Act. The Act consolidated the sections in the other Acts pertaining to assessments. The basis of the Assessment Act was that both land and improvements be assessed at actual value, with actual value and market value being synonymous. New laws enabled school taxes to be collected province-wide and redistributed as needed.

The Assessment Authority offered employment to all of the former assessment staff members. They combined and improved the records of all of the former assessment units. The assessing units were consolidated into now 16 regional offices. In 1974 they produced the first Province-wide assessment list totaling \$42,200,000,000. The total number of properties was 879,126. The total staff at year end was 704.

The Province of British Columbia now has a total population of 4,600,000. The total number of properties has grown to 1,974,000. The total staff at year end was 680. The total Province-wide assessment list in 2014 has grown to \$1,206,000,000,000 (50 times the 1974 values).. The land value represents 50% of total real property value. The total property tax is \$6,800,000,000, of which half is land value tax. The total land area is 364,764 square miles.

Search [www.bcassessment.ca](http://www.bcassessment.ca) to find useful information.

### **GREENWICH,CONNECTICUT**

The Town of Greenwich has a population of 62,256. The median income for a household in the Town of Greenwich is \$124,958. It is home to many hedge funds and other financial service companies. It is 38 minutes by express train to Grand Central Terminal in Manhattan.

CNN/Money and Money magazine ranked the Town of Greenwich first on its list of the "100 Best Places to live in the United States". The median price for a single-family home is \$1.7 million. The total land area is 67.2 square miles.

There are 24,511 housing units, of which 19,544 are single family homes and the remainder is apartments. On average the assessment on homes is 65% land value and 35% building value. There are 1,777 commercial and other type properties with an average assessment of 80% land value and 20% building value.

I completed periodic revaluations of all property. This ensured fairness and equity in the town of Greenwich assessments. It equalized assessments to a standard level, which is market value. In valuing the Grand List of all properties in Greenwich, I follow both state law requirements and standards of my profession. Assessments must be impartial and non-political and cannot favor any type property or regional area of property owners.

The goal of the 2010 revaluation was to update the assessment list, which shows the current market value of all real property as of October 1, 2010. Because of the property recession in 2008, property values had declined by an average by 11.6%. The method used to revalue property included:

- 1 – Develop Database
- 2 – Study Comparable Sales
- 3 – Develop Valuation Models
- 4 – Apply Valuation Models

### **OTHER ASSESSMENT OPPORTUNITIES**

I retired from my assessment career in February 2012. I had many International (continued on page 16)

### **SOUTHFIELD & OTHER L.V. ASSESSMENT**

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opportunities to consult, teach, lecture, and produce maps and manuals. Some of the opportunities included:

Jamaica 1989 land appraisal course

Soviet Union 1990 consultant

Saint Petersburg 1990 consultant

Estonia 1990, 91 course

Russia Municipal Association 1991, 92, 93, 94 lectures, book

Russia Duma 1993, 94 consultant

Novgorod 1992, 93 course, land map

Kaliningrad 1992, 92 lecture, land map

Baruch College 1997, 98, 99 courses

Cuba 2000, 01 lectures

London 2004 transit value recapture study

Russia 2005 land registry consultant

Latvia 2009, 2013 lecture, land map

China 2013, 14 consultant, book

World Bank, 2014, article

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