

Fostering sound land-use planning by taxation

by *Bill Batt, Albany, NY*

(The following is a summary of a presentation by William Batt, PhD, at the conference of the Council of Geogist Organizations in Portland July 31, 1998.)

Bill Batt argued that the problem of urban sprawl will be increasingly important as this nation enters the next century. This is because even at the present time studies show about a fourth of our GDP goes toward motor vehicle transportation and the best experts are saying that the world has about a twenty-year supply of petroleum. And there is no way to discuss sprawl without linking the two factors of transportation and land use.

Heilbrun's text on Urban Economics explains how transportation costs increase with distance from city centers and increase approaching the center, as transportation costs are capitalized in land value. "People presence," in other words, creates rent, and that rent can be taxed without detriment to anyone and with significant benefits. The slope of land values from urban cores to the periphery is steep in the example of Ithaca; there is upwards of an eighteen-fold differential between farmland values at the periphery and the sites at the city center. In larger cities it is even higher; one parcel of less than an acre situated in Times Square, New York City, recently sold for about \$240 million.

Yet, with two constitutional means at their disposal to foster behavior, policy makers are inclined more to rely upon so-called "command-and-control" approaches more than fiscal approaches. Even though we know that governments are far better at stopping than they are inducing, planning and zoning represent the former; taxes are among the latter. Land-value taxation has the power to encourage the land use configurations we want to foster: walkable, livable, clean, safe, and inexpensive urban areas.

A powerful new computer technology called Geographic Information Systems is available to demonstrate the potential of Land Value Taxation through graphics far more than any arguments or spreadsheet tables ever could. Three GIS maps of Tompkins County, New York, showed how all the high value land was at the center of the county, in Ithaca, high only because land rent was left in the hands of the titleholders. All the area marked in red represented rent available to be collected in taxes. The large proportion of the land was in yellow, farmland outside the developed areas. When a second overhead map showed the ratio of land value to another including the improvement value of parcels, it became clear how inefficiently the land was being used relative to its value. Instead of showing one color (or nearly one color) throughout, which would have reflected uniform land use efficiencies throughout the county, the colors reflected random development, with no logic to the urban configurations at all. Batt argued that it is our current property tax structure that accounts for this confusion and inefficiency, and only by taxing land properly, according to its value, can the problems be corrected.