

DE JONG INTERVIEWED (from page 4)

FdJ: Only in so much as it ignores the improvements or the buildings and only the land is assessed which is quite easy to assess compared to buildings. It's inexpensive, it's accurate and the municipality only applies the tax rate to the land and not the buildings.

FC: How are land values assessed independently of property values?

FdJ: It's already done like that. All jurisdictions assess every property in the jurisdiction every year and it's a continuous process of assessment and people challenge it sometimes and then there are modifications made. The routine is that the assessors assess the buildings and then they assess the land and then they combine the two and that is where the tax rate is applied against.

FC: Would LVT amount to a subsidy for owners and renters of units in multi-residential buildings? After all, the infrastructure required to service a high rise apartment is greater than what is required to service a single dwelling home.

FdJ: First of all, it wouldn't be a subsidy but multi-unit buildings would see tax relief because there are many more people living on the same amount of land as a single-unit house. Those people are sharing the amount of land that's equivalent therefore they deserve tax relief because they are not monopolizing as much land. However the services to a multi-unit building are paid separately like water, hydro, etc and are not included in the property tax, just services like fire and police. Actually the more people you have living on a piece of property the cheaper it is for the city to service because if you have 10 houses that's quite a long way for sewers and fire and police services whereas if you have all 10 of the units living in one property you can service it much easier. A city like Toronto has a lot lower municipal taxes than a city like Oakville because Toronto is much denser.

FC: What would be the ideal method of implementing an LVT? Would you envision a split rate LVT/property tax, or a pure LVT?

FdJ: The best situation is to just use land tax but many jurisdictions use a partial shift off of buildings onto land. You can make this shift quickly or slowly, that's a political decision although most people recommend we do it slowly over 5 or 10 years so that people know what's coming and they can plan accordingly.

FC: Many growth management policies have unintentionally resulted in development being pushed further and further outside of cities. Is this a risk associated with LVT? If so, would a province wide LVT be required to mitigate this problem?

FdJ: LVT has the opposite effect. It encourages optimization of land use and it discourages leaving land vacate or underused. What invariably happens naturally with LVT is it encourages more compact, more walkable, more people friendly, more eyes on the street, more socially cohesive communities. This will happen downtown, in small towns, the suburbs will rationalize into a number of walkable communities in the suburbs. It doesn't hurt the suburbs it just makes them more compact and people friendly.

FC: Would this penalize rural areas?

FdJ: No, not at all. It encourages the same things as it would in urban areas. It encourages the optimal use of land, encourages development to be more compact and centralized so that businesses can operate and access more people without distances in between.

FC: Let's get some of your thoughts on public policy in general: Winnipeg is a city where the downtown remains a residential wasteland. Part of it is a 30 year old policy of rent control. What is your position on rent control?

FdJ: If we had a fully implemented Land Value Taxation system you would not need rent control. The problem is now that developers and builders will not bother building in downtown Winnipeg and many other cities because if they do they receive tax increases on the municipal tax so that's a disincentive to building. There's no shortage of lumber, steel, wires or people to build buildings, there's just that land is being held out of production and out of service by people who are speculating and they have no incentive to build because of tax structure. If we change the structure off of buildings and onto land, then developers would build as much affordable housing as is needed by your community.

FC: So you're for rent control?

FdJ: Absolutely against rent control. It is a total negative feedback loop for builders and it does not service the needs of people at all.

FC: Are you fussed about government ownership of resources? In particular, Manitoba Hydro is a dramatic underperformer in the big scheme of things. Part of it is that the provincial politicians force it to dramatically underprice electricity – a costly vestige of a romantic 1930s power at cost philosophy. How does this square with your smart green philosophy?

FdJ: We should be charging true cost price for electricity including the externalized costs of climate change if it's from coal or natural gas. We should always be paying the full price of all resources and when you don't you have to make up the difference by taxing jobs and businesses.

FC: Like cost of capital, income tax and other taxes?

FdJ: Right, there are externalized costs which means the costs of servicing debt, there's the opportunity costs of this money and then also government has to tax jobs and businesses which are dead weight taxes which damage the economy in order to subsidize electricity. That's a dumb way of proceeding.

FC: Last question, equalization receiving provinces like Manitoba suffer because outside money has entrenched a dependency on bad policy which is rewarded by more subsidies, a huge welfare trap in other words. How would the LVT model impact this pathology?

FdJ: If the fully implemented idea of economic rent capture or unearned income that accrues to the resources was collected by the Government of Manitoba then it would have ample funds to finance its services without equalization payments from have-provinces. The problem now is that a large amount of the economic rent that accrues to assets in Manitoba leaves the province and goes to bigger centres. Rent percolates towards hubs such as Toronto, New York and London. If more economic rent was captured by the Manitoba government, not allowing it to escape to other provinces and other countries, then there would be (concluded on page 6)