TIME FOR TWO-TIER PROPERTY-TAX SYSTEM

by John Fisher, Rodney, Ontario, Canada London (Ontario) Free Press, Jan. 25, 1997

Why do developers pay up to \$22 million for two hectares of land in London's core instead of less than \$1 million for the same area in downtown Rodney?

The answer is the presence and activity of the community (stores, buses, libraries) give value to land, even when it is mostly vacant, such as the Talbot block in downtown London.

Rodney (population 1,000) does not have malls, 10-story office buildings or the population to support such amenities, but, like London, it does have a downtown in

need of revitalization.

Studies by the Canadian Research committee on Taxation in Ottawa found that urban land in Ontario pays only 25 percent of property taxes. This land is also underassessed relative to the improvements on it. This places the property-tax burden primarily on buildings and businesses.

If London, Rodney or any urban place wants core revitalization, it would seem counterproductive to penalize with taxes the very development the community needs. The result of this upside-down tax policy is urban sprawl, street-level parking, slums and high unemployment.

Giving various tax rebates, waiving development charges and relaxing planning restrictions to attract developers only shifts taxes to another group of ratepayers and raises unnecessary frustrations.

Justice would demand the Talbot block, all land in fact, pay for the cost of government subject to differences in rental value due to specific location factors. This would encourage landowners to use sites that already have considerable public investment in such things as water lines and

The late William Vickrey, winner of the 1996 Nobel Prize in economics, proposed a relationship involving space, value, rent and tax. If municipalities followed his advice, they would reduce the tax burden on development and even avoid unwanted amalgamations now being forced on them.

Higher mill rates on site values and lower rates on improvements, called the two-tier property tax, is a proven catalyst for urban renewal in many parts of the world.