HAVE WE FORGOTTEN THE FOUNDATION?

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Introduction

Americans owe a tremendous debt to architects and others who led the movement to save and restore our nation’s historic buildings and neighborhoods.

My thesis today is that it is equally imperative to restore our historic land policy that provided a foundation for the flowerings of wholesome cities and towns. Otherwise, precious treasures saved by preservationists are in danger of becoming isolated islands in an unsavory sea of urban ugliness, misery and blight.

Land policy is rarely addressed in books by or about architects. For most of the past century, politicians, scientists, sociologists, planners and economists also typically failed to focus on land policy.

The 20th century beheld many things that should have boosted cities. Designers and builders had striking new materials and engineering capacities at their command. The city beautiful movement came on the scene. The planning profession expanded. Federal urban programs were launched. And at long last, citizen support for saving our heritage mobilized.

Despite all this, misconstrued land policies led to a sharp decline in the character and quality of life in our cities and towns. Sprawl ruined the landscape surrounding our communities. Sprawl promoters and apologists say this is merely an expansion of the American dream. To me, sprawl is more appropriately recognized as an American nightmare.

Apparently we have suffered a kind of amnesia about our initial and highly successful land philosophy. I’ll try to sketch the essence of it and suggest how architects and others can help restore the foundation, as well as the superstructure, of our cities. We can’t halt sprawl unless we save our cities.

Early Land Policy

Life in early America was far from idyllic. Settlers experienced extreme hardships. Public welfare to ease adversity was nonexistent. The minimal level of our public amenities shocked foreign visitors. Nevertheless, Americans developed an optimistic "can-do" spirit and created the most dynamic and egalitarian society the world had seen to date. In no small measure this phenomenon stemmed from factors related to land.

Land hunger lured Europeans to the New World. To them, free or cheap access to land spelled opportunity. With a few tools anyone could build a shelter, garden, hunt, start a trade. With neither oppressive governments nor landlords to expropriate their earnings, people willing to apply themselves to nature's cornucopia could escape poverty. This land-people relationship fostered the American work ethic.

Comparing the United States with South American nations is instructive. Spanish and Portuguese conquistadors promptly took dominion over much of the land. They usedpeon labor and plundered gold to create charming cities, magnificent cathedrals and luxurious haciendas. This was at a time when our colonists were still mostly in log cabins. We were the backward nation, the developed nations were to the South. Before long, however, their economies atrophied, even as ours burgeoned. A critical difference explained why:

The United States during its first half century raised public revenues predominantly from taxes on land values. Latin America hardly taxed land at all.

After Independence, the federal government played an important but minor role. Its early budgets were unbelievably meager—financed largely from export and import duties. It wasn’t until the 1930s that federal revenues exceeded local revenues. Initially, cities, counties and states were our major governmental players. Their tax of choice was the property tax—virtually their sole tax throughout the 1800s.

In that era, because average homes and shops were so modest, it is important to underscore that the bulk of our local property tax revenue represented a tax on the value of the underlying land.

Since the conventional property tax is in such ill repute today, it needs to be clarified that this tax was not only a good source of revenue. It was also a mechanism for allocating land in an equitable manner. Let’s recount the virtues of the land tax from the perspective of our young country:

* It required owners of the most productive sites to pay extra for the privilege such lands conveyed.

* It eased the lot of poor citizens on marginal lands by requiring little or no taxes from them and by giving them public protection and services financed by favored owners of prime locations.

* It discouraged large unused estates. Owners (like George Washington, who had obtained considerable holdings all the way to the Ohio River) were induced to sell off excess land to minimize taxes.

* This increased the supply of land on the market, reducing its cost for those who needed to use it.

* And it let the community recapture increased land values created by the community—as when taxpayers through their governments built roads, canals and other public facilities.

America was blessed not only with vast land resources, but also with remarkable political philosophers like Jefferson, Madison and Paine. They perceived that sustaining political equality—the most novel, radical and exciting idea stirring the new nation—required policies to assure universal access to land. (continued on pg. 8)
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Unlike Latin America, which catered to land holding, our Founding Fathers put a premium on small holders and land using. Heavy reliance on the land tax nourished our market economy and supported the growth of vibrant cities and towns from coast to coast as our experiment in democracy took root.

Losing It

The land ethic and land practices, which served our economy and cities so well, sadly fell into disrepair. Here are five of the more important reasons:

One. By 1900 the frontier was gone. The country was virtually all fenced in. Historian Frederick Jackson Turner in the 1890s underscored the frontier's importance. Its free or cheap land had been a safety valve for labor. Workers who felt exploited could go West--strike out on their own.

Two. Prodigious concentrations of wealth materially altered the economic landscape. Some of these were based on railway land giveaways. Most were tied to natural resource monopolies--of coal, timber, oil, cattle lands and so forth--whose owners found ways to fend off land taxes.

Three. A shift from local to federal power occurred in the political arena. The national government had to grow to save the Union and execute the Civil War. It also expanded to combat abuses of giant combines and trusts. To undermine this growth, Congress turned primarily to taxing production and incomes.

Four. At the urging of land monopolists who practically owned many state legislatures in the late 1800s, state governments discarded property taxes, replacing them with income and sales taxes. Local governments also gradually began to decrease their reliance on property taxes.

Five. The property tax itself was transformed. It became less a tax on land values, increasingly a tax on improvements--that is, on houses, stores, offices and other edifices on the land.

These factors gave rise to slums, to panics (as depressions were then called), and a widening gap between the haves and have-nots. As a corrective, Henry George in his 1879 masterwork, "Progress and Poverty", urged Americans to address the land problem. He inspired a large popular following, but many academics, politicians, economists and captains of industry asked scornfully, "What land problem?"

It calls to mind the routine where Jimmy Durante got caught stealing an elephant from a circus. A cop says, "Hey, where ya going with that elephant?" And Durante replies, "What elephant?"

A century later, few question that we have an elephantine land problem. Ecologists know it. Sprawl and crawl people know it. Many elected officials, homebuyers, and people trying to start a farm or a business know it. However, too few have a clue about how to deal with land issues, or any notion that archeological digs into our history might provide useful answers. Instead, consider what's happening:

* Habitat volunteers build houses for the poor, making recipients and its volunteers feel good. This is a fine example of charity combined with self-help, and it spreads awareness of a great social ill. But more housing is being abandoned and demolished than Habitat is able to build.

* This same treadmill effect undermines federal efforts. HUD has spent billions on public housing, urban renewal and enterprise zones. Some of these programs have retarded urban decline but their strongest advocates would not claim they have come close to stopping or reversing it.

* Cities offer tax abatements to revive decaying business districts. Yet after new buildings are established, the cities hit owners with the same tax burden that helped cause decay in the first place.

* Some builders turn to what I call "designer sprawl." They mimic old towns and are clearly less wasteful of land than unplanned sprawl. Yet they often invade wheat fields and wood lots far from the job centers, transit lines and cultural institutions that comprise real communities--while large quantities of usable sites that are well served by infrastructure lie fallow in those real cities and towns.

These stumbling efforts recall an architectural parallel--when people first tried rather pathetically to restore old neighborhoods with false storefronts, tarpaper bricks and Permastone.

Urbanologists and the public need to be awakened to the central role played by taxation. They need to see that loss of our historic land tax has made speculation our top national sport--a treacherous one at that. As Hans Blumenthal wrote in "Metropolis...and Beyond" (edited by fellow panelist on this program, architect Paul Spreiregen):

There is no doubt that the present real property tax... contributes more to depressing the standard of housing than all government housing policies combined do to raise it.

The current property tax may fairly be called the upside-down tax. It taxes land values too lightly, buildings much too heavily. It rewards bad land use, penalizes good land use. Consider three identical homes and lots:

* Owner No. 1 adds a rec room, new roof, great landscaping. The assessor comes by and says, in effect: "As punishment for making a showplace, and for generating jobs and profits for local businesses, we're raising your assessment by the amount of your investments. Your tax bill will go up, not just for a year, but for as long as you keep the house in good condition."

* Owner No. 2 lets his house of the same size run down--loose banisters, torn screens, broken gutters, junk-filled yard. The assessor tells him, in effect: "Because you created an eyesore for your neighbors and an unsafe dwelling for your tenants, (continued on pg. 15)
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we're reducing your assessment and your taxes. If your place is more dilapidated next year, we'll reduce them even more."

* Owner No. 3 tears his building down; the idle lot neither houses nor employs anybody. The friendly assessor tells him, in effect: "For completely wasting your property, and for making no use of the infrastructure provided for this area, we'll give you the lowest assessment and tax bill of the three."

These all-too-familiar examples condemn not the assessor but our present tax system. And the same perverse property tax incentives apply to commercial properties. Is it any wonder cities are torn apart? The wretched tax on buildings is only the half of it. The low land tax is the other half. A speculator sees that the annual increase in his or her land value is greater than the tax bill. This signals the owner to do nothing, to sit back and collect the values generated by productive neighbors and the community.

Speculation feeds on itself. The more land held out of use, the tighter the supply of available sites. This raises land prices further, seducing more speculators into the land game, hastening the (continued on pg. 16)

- Joining forces with those who are pushing for this two-rate tax reform;
- Persuading local governments to pass resolutions urging their state legislatures to enable them to tax land and buildings at separate rates;
- Pushing state legislators to follow through on this action; and
- Finally, at every opportunity, bringing public attention to the necessity of recapturing publicly created land values as a way to save our cities.

Quoting Frank Lloyd Wright: "What hope for stimulating a great architecture while land holds the improvements instead of the improvements holding the land? For an organic economic structure this is wrong end around, and all architecture is only for the landlord." (The Disappearing City, 1932, reprinted in "FLW Collected Writings," Vol. 3, p. 98, Rizzoli International Publications, NY, 1993)

Those who make restoration of America's historic land system a part of the historic resources agenda will be doing a great service to the country. This is the challenge and the opportunity.

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flight of residents and businesses from central cities and even small towns. This is far from the only cause of sprawl, but one of the most potent. It cannot be stressed too much because it is one of the least recognized causes.

If we continue on our present course, overtaxing production and undertaxing land, the outlook is dismal. It is heading us toward the very conditions seen in extreme forms in Latin America and other continents.

Time for Good News

The good news is that we can reclaim our historic foundation. A problem is that our present property tax imposes a single tax rate on the total land-plus-building value. When a locality increases the good land tax, it automatically raises the destructive building tax. Thus the obvious first reform is to sever the unholy union of these distinctly different parts of the property tax.

Pittsburgh pioneered an easy way to do this with a two-rate tax. It taxed buildings at only one-sixth the rate on site values. Aliquippa, PA taxes land at a rate 16 times higher than on buildings. Some 20 Pennsylvania cities and towns utilize this approach, gradually reducing taxes on structures. Results have been uniformly good—bringing idle land and empty buildings back into use, rejuvenating business districts, and holding home prices in check so seniors on fixed incomes are not pushed out of their neighborhoods.

Architects and other preservationists can help revive urban livability by...