

Using Land Value Tax to Revitalize Urban Land Markets and Assist Smart Growth

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**new tax policy
choices for city
and country**

- Using tax policy and fiscal incentives to build up communities, markets and in a revenue-scarce environment.

Who We Are

The Center for the Study of Economics (CSE) is a 501 c(3) educational research foundation based in Philadelphia Pennsylvania.

CSE is committed to creating and preserving healthy communities, while obviating the need for sprawl, concentrating human habitation and development in a more sustainable yet

Land value tax provides self generated and self-sustaining revenues.

To date, CSE has helped 20 cities, boroughs, school districts and special districts implement and use LVT in the Commonwealth of Pennsylvania.



What Makes Our World?
Labor: Our Work



What Makes Our World?

Capital: In economics, "capital" refers to productive inputs that are (1) produced and (2) provide an ongoing stream of productive services. The fact that capital is produced distinguishes it from land and other natural resources, which are supplied by nature.



What Makes Our World?

Land: The Earth we stand on, the air we breathe, the water we drink, the place we need to exist.

Three Things Make Our World

Two act very differently, and they have an impact on our cities and communities:

Labor is mobile, it moves to where it is rewarded most.

Capital is mobile, it moves where it can be used most profitably.

Land is different: It is immobile.

What Tax Is Mobile or is Progressive?

Name the “Good” Tax

- Sales Tax - Mobile
- Income Tax - Mobile
- Business Taxation - Mobile
- Real Property Tax – Half Mobile
- Most Regressive.
- In Vermont at \$1 of wage, 3.3% , 6.6% at \$48K
- Regressive, it hits new and small business hard, and neighborhoods harder.
- Regressive as used today...

What is Land Value Taxation?

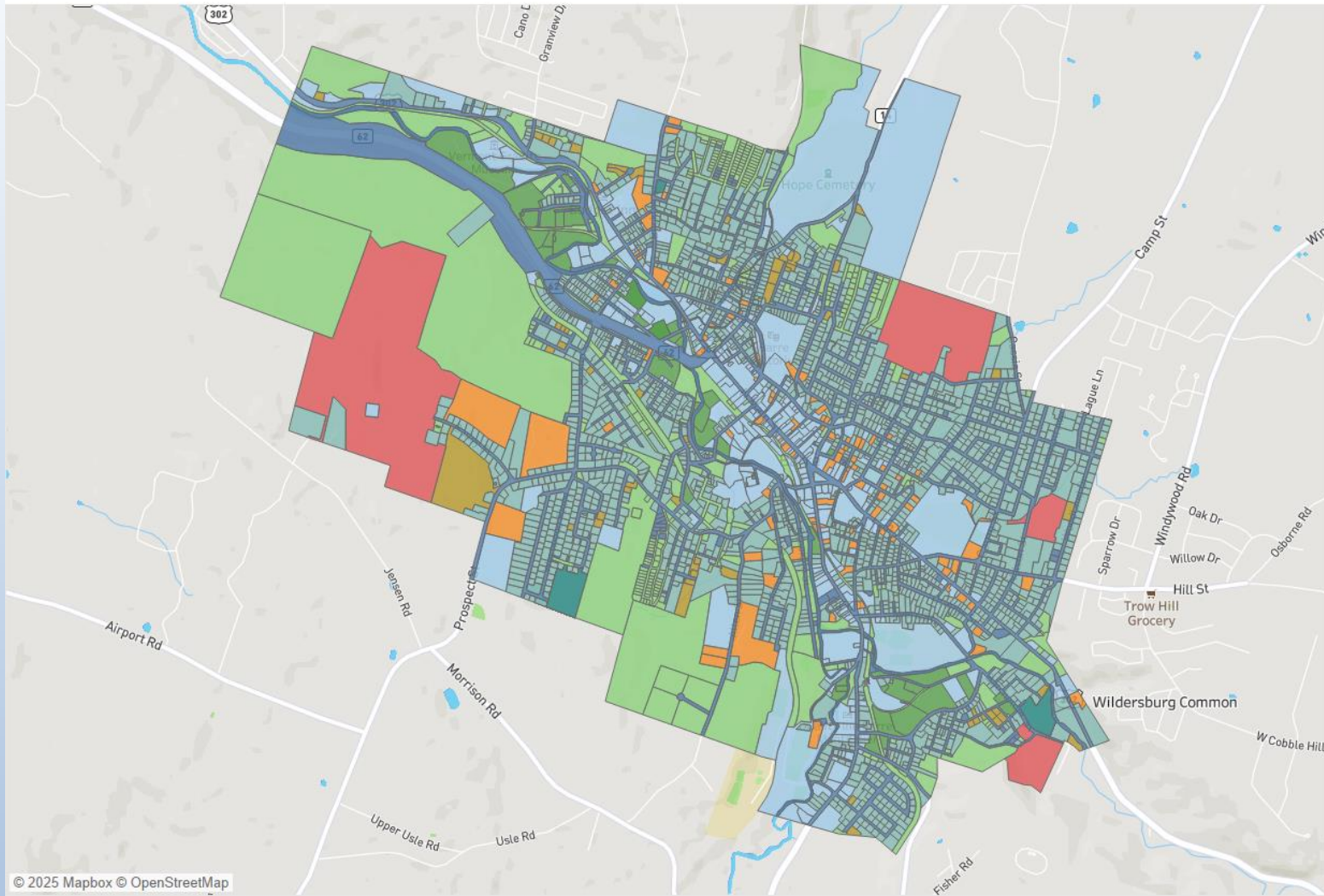
A tax on land, and no tax on buildings

- Public (Tax) Policy
- Project-driver:
 1. Infrastructure
 2. Value Capture
 3. Market Investment
 4. Sweat Equity
- Model of:
 1. Tax Efficiency
 2. Economic Efficiency
 3. Cost Efficiency

Property Taxes Are stable, boring, and frightening.

- Are actually 2 taxes: on land and on improvements.
- Provide a steady and reliable source of income.
- Account for 1/3 of VT's state revenue.
- Can influence development patterns
- Can take the place of the economically corrosive existing taxes.

Barre



CAT

- Null
- Commercial
- Commercial Apt
- Industrial
- Miscellaneous
- Mobile Home/1a
- Other
- Residential-1
- Residential-2

Can Pennsylvania be a guide?

Where has
LVT been
implemented?

LVT Rates

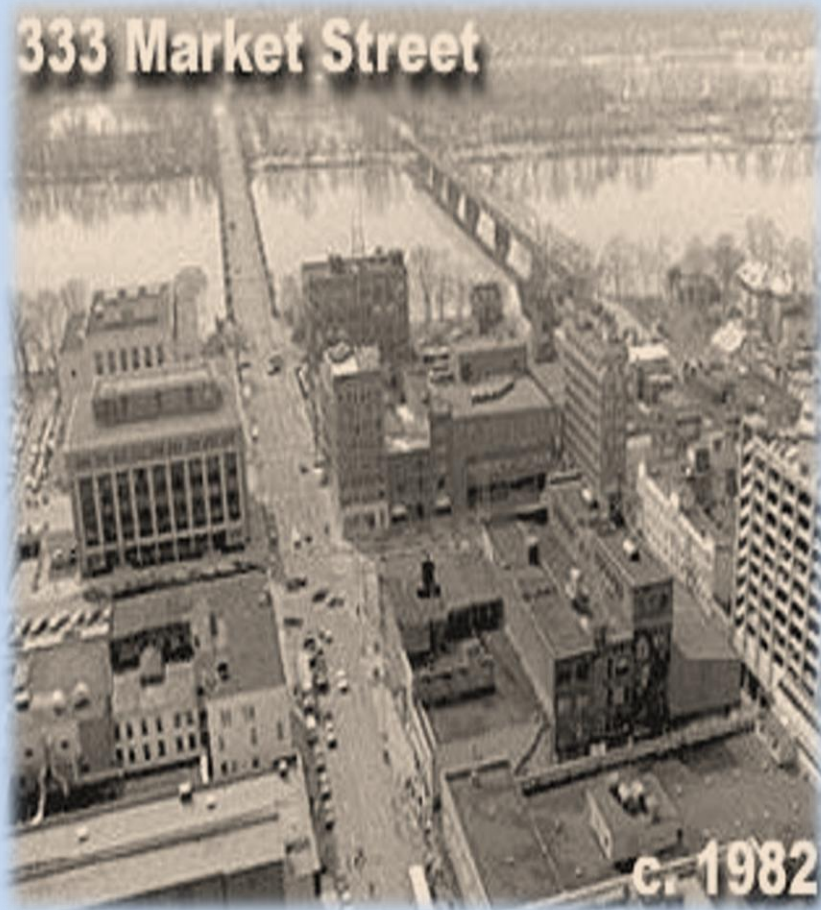
Jurisdiction	Building Mills	Land Mills	Ratio
Aliquippa City	16.25000	86.0000	5.292
Aliquippa SD	39.50000	255.0000	6.456
Allentown	4.45280	23.5370	5.286
City of Duquesne	15.50000	20.5000	1.323
City of McKeesport	8.26000	20.5000	2.482
Clairton City	3.50000	33.0000	9.429
Clairton Schools	8.12600	87.0653	10.714
Dubois	3.50000	20.0000	5.714
Ebensburg	8.50000	33.5330	3.945
Harrisburg	5.16000	30.9700	6.002
Lock Haven	5.41509	26.3204	4.861
Millbourne	0.10000	55.0200	550.200
New Castle	7.85700	27.7900	3.537
Pittsburgh Improvement District	0.00000	1.0000	0.000
Scranton	5.05640	23.9520	4.737
Titusville	21.92000	71.2500	3.250
Washington	4.03000	38.7100	9.605

Johnstown, PA

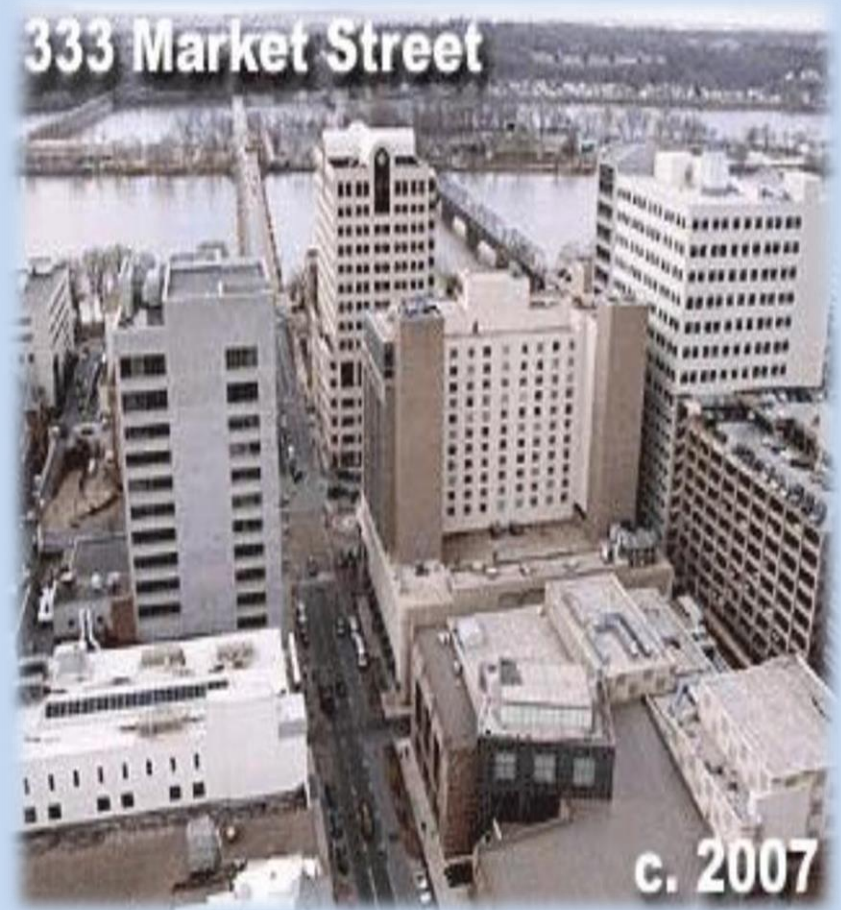
Land Rate	Building Rate	Land Revenue	Building Revenue	Total Revenue	Percent From Land	Percent From Buildings
36	36	\$1,120,000	\$4,063,000	\$5,183,000	22%	78%
56	31	\$1,729,000	\$3,453,000	\$5,183,000	33%	67%
70	27	\$2,136,000	\$3,047,000	\$5,183,000	41%	59%
84	23	\$2,591,000	\$2,591,000	\$5,183,000	50%	50%
169	0	\$5,183,000	\$0	\$5,183,000	100%	0%

Harrisburg, PA

Early LVT



Late LVT



Harrisburg, PA

Early LVT

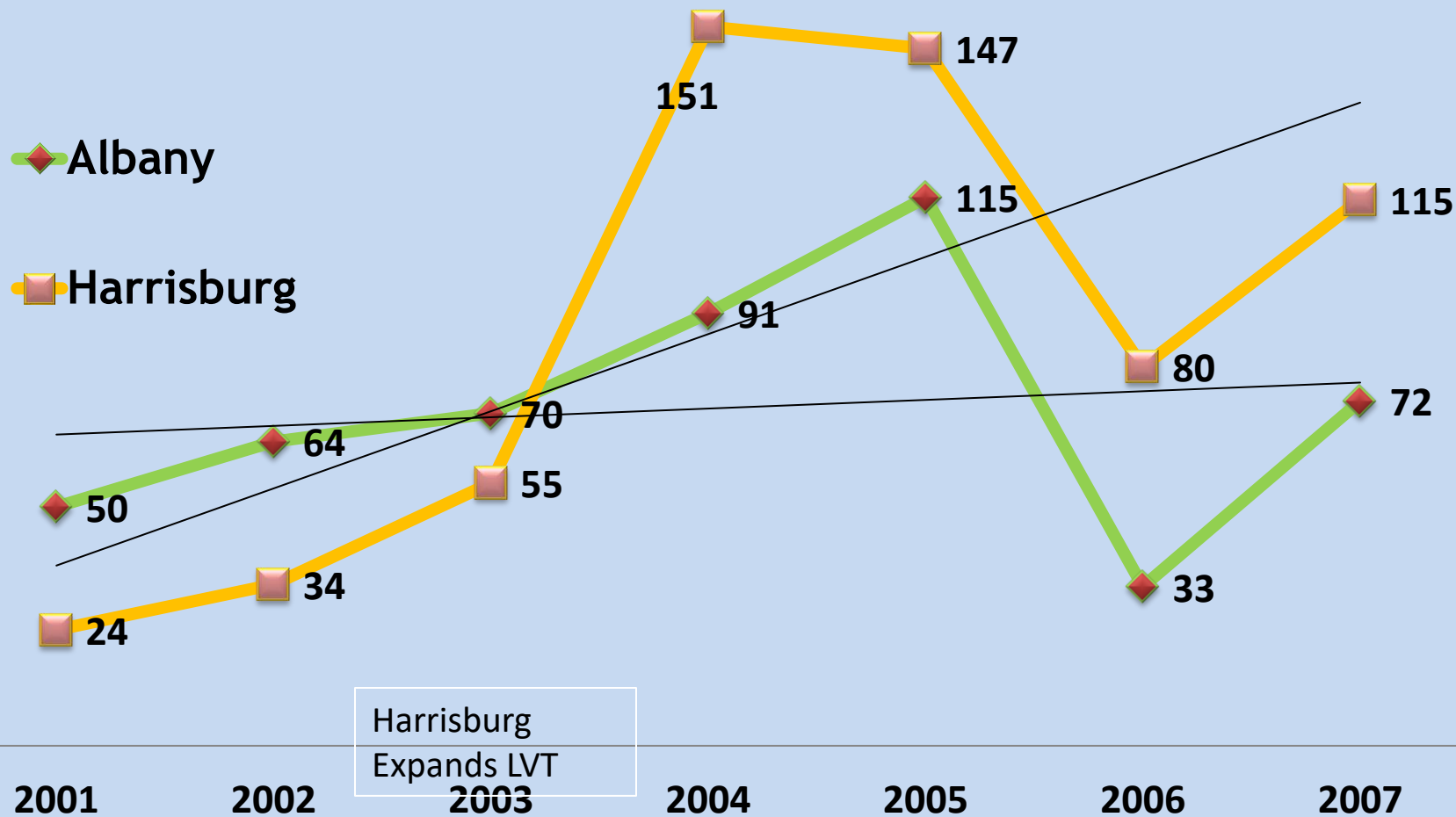


Late LVT



What happens with LVT?

Per Capita Residential Building Permits
Harrisburg, PA and Albany, NY



What Happens With LVT?

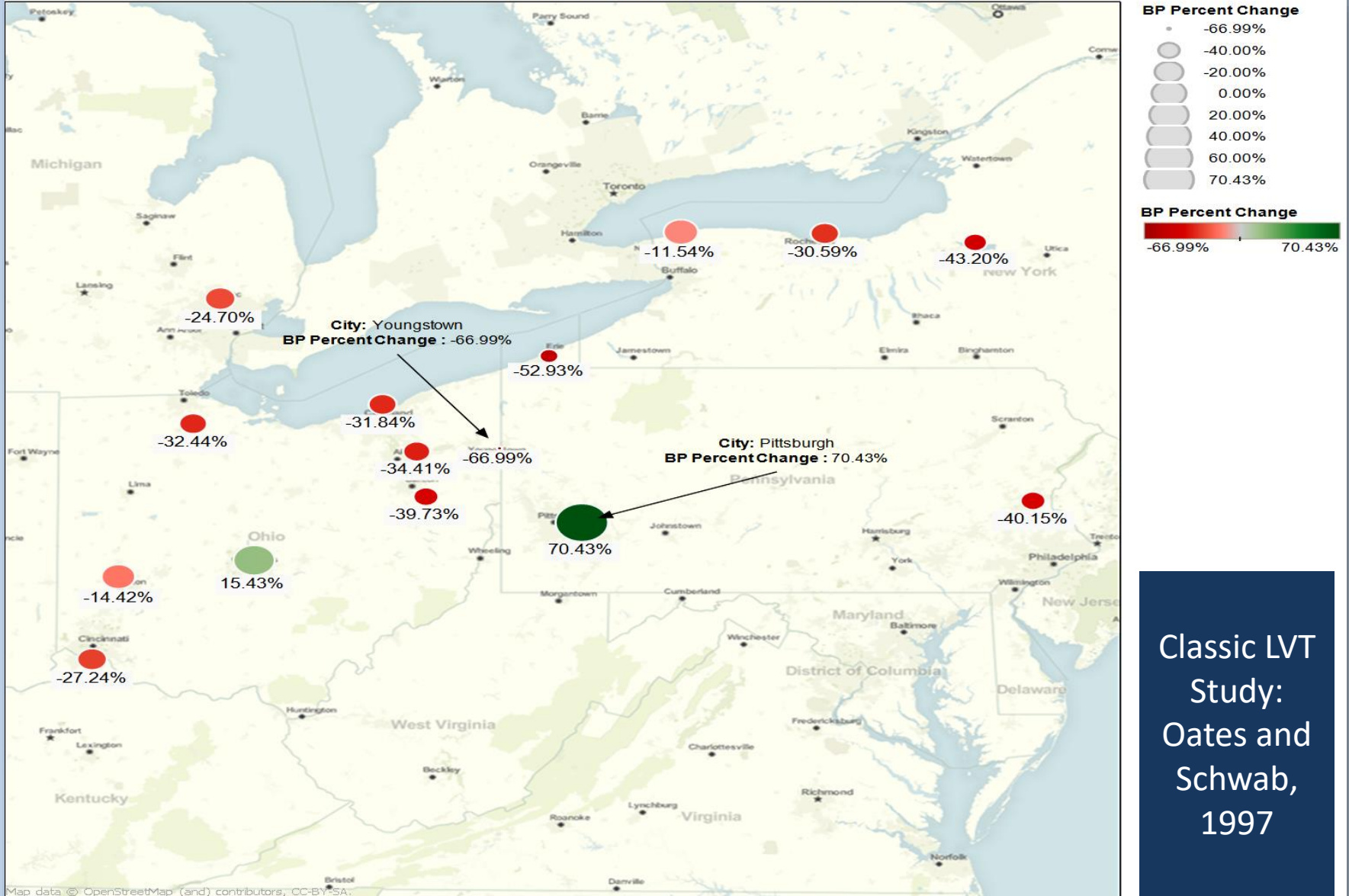
Building Permit Changes 1979-1982	Average Building Permits From Three Years Before and Three Years After LVT
Scranton (1979 LVT Increase)	23%
Wilkes-Barre	-47%

Building Permit Changes 1980-1983	Average Building Permits From Three Years Before and Three Years After LVT
McKeesport (LVT 1980)	38%
Duquesne	-20%
Clairton	-28%

Building Permit Changes 1982-1985	Average Building Permits From Three Years Before and Three Years After LVT
New Castle (LVT 1982)	70%
Farrell	-66%
Sharon	-90%

What Happened with LVT

Building Permit Change in Pittsburgh compared to analog cities



Classic LVT Study: Oates and Schwab, 1997

Map data © OpenStreetMap (and) contributors, CC-BY-SA.
 Color shows sum of Building Permit Percent Change From 1960-1979, and then 1980-1989
 Size shows Percent Change . Details are shown for City and State.



Traditional @ .729% rate

LVT @ 3.93% rate land

Rise in holding cost incentivizes landowner to build or sell

Decrease in tax bill allows builder/developer to capitalize savings into selling price allowing for higher profit per unit or ability to sell units for less resulting in more units sold

ANNUAL TAX BILL

\$1.01M

\$193K

\$1.01M

\$4.5M

Land Value \$2.7M

Building Value \$50M

