

Distribution of rent

It would seem proper, just, and businesslike that, wherever land is used, the occupant holding title should pay the land rental, appraised by means presently in use. If he occupies it for business use, the rent would naturally be charged by him as an expense of doing business, *but it would be the only charge*. There would be no tax on his services or capital to charge to the cost of doing business. So charged, it would appear in the price of his product or service and thus be widely distributed. Naturally, hotels, apartment houses, and houses built for hire would be classed as business enterprises, and it would be proper for

a person improving on a piece of land to receive a full return on his investment of capital.

A homesite, while bringing no return to the occupant, does provide him with exclusive privileges and, to the extent that he is desirous of occupying an area, there would be no criticism of his occupying a very large area if he paid the rental into the public treasury. As population about his acreage would, in the nature of things, increase its value, it would be proper for his assessment and the consequent rental to rise gradually. But he should not be punished (by a tax, fine, or any other form of levy) for the expenditures he might choose to make in building a home.

There are still in this country large estates which are gradually becoming surrounded by smaller holdings and very frequently are not taxed as site in proportion to their growing value. There are also large tracts of land that are put to minor use, which, if properly assessed, would soon be relinquished and made available for the best usage.

An unfortunate feature of the holding of land by private interests is that the more widespread the holdings of under-used land by an individual or group, the easier it is for the individual or group to sit as obstructionists for a long time, preventing a normal distribution of population.

An illustration of this is interestingly spread before the eye of the passer-by in the little town of Brisbane, south of San Francisco. Brisbane is a cluster of modest homes, all set within a few feet of each other. Yet immediately adjacent to Brisbane and close to the great city of San Francisco is the very attractive Guadalupe Valley, belonging to a large estate so amply comfortable that it does not have to

consider the triviality of taxes assessed against it by the county, particularly as *local taxes* are deductible from *income*. The result is that this valley, logical site for many pleasant homes, is occupied solely by an old quarry and undoubtedly will continue to be so occupied until the estate finds it sufficiently profitable to sell or—if the county should acquire the wisdom to tax it logically, intelligently, and justly—sufficiently unprofitable to continue to hold it. One could multiply by hundreds the examples where groups of citizens are kept huddled between large unused acreages.

Examples of the beneficial effects of public *vs.* private collection of land rental are cited in a later chapter. There has also been published a splendid booklet with illustrations, titled *Municipal Improvement and Finance, as Affected by the Untaxing of Improvements and the Taxation of Land Values* (New York: Harper & Bros.). Ample evidence of its immediate value is given by the author, H. Bronson Cowan, Secretary and Research Director of the International Research Committee on Real Estate Taxation, with figures and the statements of officials in various cities in countries where the system has been adopted for local revenue, such as the following from Johannesburg:

In a letter from the Chamber of Commerce, dated April 9, 1953, the secretary, Mr. H. S. Mabin, M.A., stated: "The Johannesburg Chamber of Commerce strongly favors the rating of land values only. We are of opinion that this system has had a good deal to do with the development of Johannesburg into the premier industrial and commercial city of the Southern African subcontinent."

In 1948 the Chamber gave evidence before the Transvaal Rating Commission in which it said: "The Chamber believes that the site-rating system affords greater recognition of the principle of taxation in proportion to ability to pay than does any other rating system . . . (a) It discourages sites being held vacant or underdeveloped. (b) As improvements are not taxed, the owner of the site is encouraged to expend more capital and thus construct a better or more commodious building. . . (c) The property . . . of the lower income groups contributes much less proportionally . . . than the wealthier members of the community. . . (d) Since the rating system operates successfully in Johannesburg . . . the Chamber sees no reason why the ordinance requires amendment.

"The ratio between value of improvements and site value in Johannesburg is lowest within a radius of one mile from the City Hall, where it averages 0.7 to 1. . . . It is 1.8 to 1 between the one and two-mile radii, and 1.85 to 1 in the rest of the municipal area. . . . Thus [under the site-value system] the central area bears, in proportion to its total valuation, a higher share of its rates than the suburbs.

"During the first six months of 1948, 52% of the total revenue from rates was collected in a radius of one mile from the City Hall, and 61% within a radius of two miles. Had a flat rate basis been adopted . . . the comparable percentages would have been 39% and 50% . . ."

Between 1921 and 1950 three government-appointed commissions in the Transvaal Province reported favorably on the site-value system.

The situation in Canberra, described as a city unique among the capital cities of the world, is also very interesting:

Canberra is the young and growing capital city of the Commonwealth of Australia. From its inception it has been developed on model lines. The site of the city contains forty-two square miles. It, and the land in the surrounding Federal District, is owned by the Government. Thus the people of Australia will not have to expend millions of dollars in future years to acquire land for the expanding needs of the Federal Government. All increases in land values accrue to the nation. When selected in 1909 as the seat for the national capital it was a sheep ranch. There was a scattered population of 1,921. By 1947 the population of the Federal District was 16,000 and in 1955 approximately 30,000. All residential and business sites are owned and leased from the Government. The first auction of leases was held in 1924. Residential leases realized \$2.40 to \$15.36 and business leases \$29 to \$278 a foot frontage. In 1951 the cheapest residential lease sold for \$816. Business leases sold for \$2,880 to \$7,800. Increases in land values have been so great that government sources estimate that ultimately they will offset the entire cost of establishing the national capital. Canberra has become one of the most beautiful cities in the world.

The Canberra system of government ownership and leasing is near enough to the taxation of land rental to be illustrative of the beneficial results which can confidently be expected under the system here advocated, and confirms the gratifying effects in places where the system is in operation.