

## LAND DEVELOPMENT, SPRAWL AND PUBLIC POLICY

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As the conflicts over land use and development erupt across our region (and all across the country), we are coming to recognize that public policy is directly in conflict with wise use policy. This has been the case as far back as the colonial era of our history, but the effects have escalated with the departure of people from our cities into the surrounding countryside.

The opportunity to acquire a detached home, solidly built, with a plot of land around it, attracted millions of households from their older and densely-populated city neighborhoods. The billions of dollars poured into the construction of new highways, along with low-down payment housing financing accelerated the process. Builders bought up the countryside and put up huge subdivisions without much (or any) regard to how these new communities would function together in the future. As we know, the pattern of development created by this "one new subdivision at a time" suburbanization has produced an automobile-dependent lifestyle. The costs of replicating and maintaining the infrastructure for so many land-extensive communities is enormous, and enormously wasteful.

Development does not have to be so disorderly, nor so destructive of natural habitat. Nor is it a foregone conclusion that close-in, very productive agricultural land must give way to development. The solution is remarkably

straightforward but is consistently ignored in favor of heavy-handed forms of land use controls that put residents, government officials, planners and developers in opposition. Part of the reason why there is so much development pressure on open land is that there is so little development pressure on open and underutilized land in the cities. And, the reason for this anomaly is that our long-standing tax system penalizes development and rewards land-

hoarding (i.e., speculation). What to do? The starting point is to replace the existing 'property' tax with a tax that falls on land value only. Exempting property improvements from taxation eliminates the financial penalty attached to constructing new housing and rehabilitating old housing (as well as other buildings, such as warehouses, factories, office buildings, apartment buildings, etc.). Taxing land at a rate that will yield in revenue the approximate market rental value of that land forces landowners to develop the land they hold or sell it to someone who will. Profit from holding land out of use disappears. Considering the fact that most cities have anywhere from 20-40% of their land parcels undeveloped, this one change in public policy can have a dramatic impact on the investment decisions made by developers. As more closer-in land comes on the market, prices will stabilize (and, in some cases, even fall), so that developers are not required to keep going out farther and farther to find reasonably-priced land.

Shifting to a land-based property tax is not a panacea. Other changes in the tax system need to occur; for example, Federal tax rules permitting the use of accelerated depreciation need to be eliminated so that investment decisions are made based on real market dynamics and not because of favorable tax treatment. That said, the problems of sprawl, congestion, land-extensive development, ecosystem destruction, the decay of inner cities and

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small towns are all positively addressed by this one change in tax policy: reward people for investment decisions that are consistent with 'wise use' of our land, while removing the rewards for investment decisions that have negative consequences.