

THE COOPERATIVE LAND BANK CONCEPT

Robert Swann

The Cooperative Land Bank Concept provides:

- A means by which a community organization (i.e. non profit or for profit corporation representing the entire neighborhood or section of a city with a population of 1,000 to 30,000 persons, an entire town, etc.) can purchase all the land and property within its territory for the benefit of the entire community virtually without the need for outside financing. This is called the self-sacrificing principle.
- A means for retaining within the community the value (as measured in money) created by the community through its efforts at collective and individual development, and a means of distributing or transferring this value to both the individual members of the community and to the community as a whole on a more equitable basis. In this sense the CLB is a substitute, on a local level, (and without the bureaucracy), of efforts to transfer wealth by national governments through tax systems, and welfare systems.

The CLB accomplishes this through:

Establishing a duplex system of land and property tenure so that the value of community land and improvements is separated from the value of private property situated within the precincts of the CLB. The value of all land and public improvements being captured by all residents becoming common stockholders and the value of all private improvements being captured by a system of space leases over such property. The terms on which common stock are issued to residents and redeemed by the CLB provide the means to distribute the benefits and costs of community development over time and between residents on a socially desirable basis.

For example, under the present system of single land tenure, owners can increase their rents or sale price of their properties when taxpayer's money is used to make the neighborhood a more attractive place to live, from the building of new schools, hospitals and the provision of services and facilities. As a result, landowners obtain capital gains from taxpayers' money. The non-owners (renters) increase their competition among themselves to rent or buy property in the area with the better services and facilities and bid up the prices received by the owners. Landlords get richer at the expense of non-owners and the taxpayers. This is grossly inequitable and economically inefficient.

The Landbank Co-operative creates equity and efficiency by capturing the windfall gains in property so that they can be used to pay the costs of public facilities and services. Providing the windfall gains so captured are greater than the costs, then no tax payments are required and community improvements will become organized to become liberated from government money, then they may have a basis for requesting exemption from paying taxes. Taken to its logical conclusion, this in turn would make the community a more attractive place to live and increase property values even further.

Space leases over all dwellings exists in perpetuity while they are limited to 50 years for all other private property. This allows any residual values in all private commercial and industrial property to revert to residents. The equity in all residential space leases is automatically transferred from either private or community ownership to their occupiers at a rate of 2% per annum. While the occupiers may need to pay 2% higher rents, they can become owners over 50 years without paying a deposit or becoming immediately responsible for financing the cost of the associated land site, community services and facilities. Residents who purchase and occupy residential space leases maintain their equity and so all capital gains in their home. The cost of home ownership could be reduced by the cost of the associated land for pioneer home buyers in newly developed or re-developed areas. Any surplus capital gains created by such development would still accrue to such owners through a free issue being made to them of the common stock associated with their land. The maximum number of stock units which could be held by every resident would be determined on an identical basis of, say, one unit for every square foot of land occupied.

Features of the Cooperative Land Bank concept:

Attracts land and property owners to place their property in the corporation (in return for stock shares) entirely on a voluntary basis because of the financial and personal advantages of doing so. Some of these financial attractions are the result of tax advantages. Shareholders of the corporation would be free of property taxes because the corporation would pay property taxes out of accrued land value increases, but in addition it could eventually assume all other forms of taxes, to a higher echelon of government. If the CLB represents a neighborhood or a significant section of a larger taxing entity such as a municipality it should have the necessary political strength to remove tax assessments on property improvements which are themselves the greatest disincentive to building and community improvement.

All individual residents are automatically members of the community corporation if they live in buildings situated in the corporation. Residents who are renters at the time of property acquisition will receive on a yearly basis equity in the space lease which they occupy over a 50 year period. Thus, a 2% equity in their living space will be given to them on a yearly basis and at the end of 50 years they will be full owners. This concept is comparable to lease/purchase plans. If they should leave at the end of ten years, for example, 20% of the value of space (apartment or house) will be paid to them for their equity in their space lease. Thus residents are encouraged to both maintain and improve their private living space and remain in the community and accrue capital gains.

Whenever residents/owners leave the community they can offer their space to the highest bidder. This bidder, however, will be required to buy the common shares held by the resident/owner from the CLB which will reimburse the resident/owner after "discounting" a fee for the community corporation. This fee to the community is based on a formula composed of two factors: 1) length of time which the resident/owner has lived in the community (the longer in the community the lower the fee) 2) Inflationary rate of national currency. In other words resident/owners would be compensated in part at least for inflationary loss of currency. This mechanism for capturing "unearned increment" in land values is similar to the "capital gains" tax used by the state of Vermont. The vendor would also capture a share of any demand values created in the area by it becoming more attractive and better serviced.

Only individual resident/owners would be eligible for shareholding and voting membership in the non-profit community corporation. Outside corporations, industries, etc. would lease land from the community corporation but would not be eligible for shareholding or voting rights.

The principle of "one person, one vote" would be maintained by the CLB regardless of the number of shares held. Actual ownership of shares, however, would be determined by the number of square feet in the space which each resident/owner occupied. Each square foot would represent one share. Thus 1,000 square feet = 1,000 shares. Non-resident owners or investors in space leases would not have a vote in the corporation but would be offered investment shares similar to preferred stock in commercial corporations with a minimum yearly dividend plus a participation in the capital gain aspect of the corporation. In other words they would receive two types of equity interests creating a duplex tenure system which in this case would be: preferred shares with yearly dividends without voting rights and a 50 year lease over the property.

A special type of share would be offered to resident/owners in an area which is slated for new or redevelopment or where present resident/owners (such as older people) would like to transfer to a different form of housing. In such cases the resident/owners would be given "conversion shares" which include voting rights and which would act like a purchase voucher for a new (or different) dwelling after development has taken place. In theory, at least, the financial benefits to present resident/owners would be significant. After transfer of residency has taken place these "conversion shares" would be exchanged for common shares or "resident shares" shares with their associated negotiable perpetual lease over their private space which contains their dwelling.

Advantages of the CLB approach:

Provides incentives, financial and personal, for all the owners in a reasonably large area (1,000 - 30,000 population) to join together and encourage community development by transferring individual ownership to the CLB.

Does not require a great deal of outside investment, but makes investment very attractive to outside investors if needed.

Provides incentives to residents (owners or renters) to remain in the community and participate in its development. Capital gains which accrue to the whole community as the result of development will be reflected in the value of each resident's share

Provides incentives to individual owners (as well as renters) to maintain and improve their property because they can benefit directly from such improvements (as well as from improvements to the community as a whole).

Since renters in the CLB owned buildings become automatically owners, it may be assumed that CLB buildings will be better maintained and more attractive. This provides an incentive for private owners to join the CLB accepting space lease and shares in the corporation in return for their property. In other words, they will lose out or lose money if they don't.

Incentives are provided to commercial, institutional and non-resident owners of land and buildings to convert their property to the CLB duplex title system in exchange for investment shares (non voting). The CLB agrees to lease back the buildings on these lands to their former owners for a period of 50 years (if desired) without charge (except for taxes and payments required on mortgages). A lease fee will be charged for land use, however. The incentives for this exchange, besides tax advantages noted already includes the fact that investment shares in the CLB will have a market sale value at any time after community development, and, therefore, will free up capital (make it liquid) which otherwise is tied up in land and buildings. Alternatively, such capital as remains in CLB stock will gain in capital value more rapidly than it would before the CLB development.