

Local Improvements—their Relation to Taxation

Paper of Mr. J. J. Shallcross, of Victoria, read at Inter-State Realty Convention at Victoria Shows Inadequacy and Inequity of Local Taxation in Payment for Local Improvements—Example of City of Victoria.

The term "local improvements" is applied to those improvements to roads and streets which are necessary to make them suitable for traffic, and taxation is the method whereby the cost of the improvements is collected from adjacent owners, generally in the form of a fixed charge, for a term of years on their properties.

During the years 1910 to 1913 the City of Victoria undertook street improvements on an extensive scale to meet the demand for well-graded hard-surfaced roads, due to the development of motor transportation.

When this work was completed, 65 miles of streets were graded, 53 miles were provided with concrete foundations and hard surfaces, and 12 miles with cluster lights; while there were constructed 123 miles of concrete sidewalks, 57 miles of boulevards and 78 miles of surface drains. In addition several streets were widened or extended as works of local improvements.

The cost of the widenings and extensions was more than had been anticipated, chiefly because the law required that arbitrators should give compensation on the basis of values after the undertakings had been authorized when the anticipated effect of the improvement had been fully discounted by the rise in market prices.

On the other hand, the constructive work was generally well done and at a very reasonable cost, much below what would be the cost of replacement to-day. The expenditures on these improvements amounted to about \$8,000,000, which was provided by municipal loans, most of which were issued on a 10-year term basis. Assessments were made on the properties fronting on the improvements which were expected to repay the greater part of the expenditure by the time the loans matured. The City did not undertake to pay any part of the cost of the widenings and extensions or the cost of installing the cluster lights, but, as a rule, it paid one-fifth of the cost of grading, paving and sidewalks, which included the cost of the work done at the intersections of streets.

There were altogether over 500 Local Improvement By-Laws and the cost per front foot varied greatly, depending on the original condition of the road-bed, the width of the right-of-way, the amount of grading necessary, and whether or not the street was likely to be used as a main thoroughfare or by heavy traffic. One or more of the above reasons, some of the more expensive improvements were made on streets on which the frontage property was of relatively low value. Corner lots and lots having a long frontage compared with their area were required to pay a much higher assessment than inside lots of normal dimensions, although it could not be contended that the benefits received increased in like proportion. The Local Improvement charges on vacant land in many cases exceeded its market value after the improvements were completed, which were supposed to have benefited it and it seemed doubtful if the taxes would continue to be paid as the land produced no income and the owners felt that the heavy burden was unjust. Many such owners allowed their taxes to remain unpaid and other owners, with less excuse, began to follow their example.

To meet a situation which, if allowed to continue, threatened to have serious effects on Victoria's municipal finances, the City Council obtained legislative authority for the appointment of a Commission with power to adjust inequalities, and to transfer to the City such portion of the Local Improvement Assessments as seemed to be unduly burdensome, and to extend the time for the payment of the

assessments. There is reason to believe that the relief given by the Commission will have the effect desired.

The experience of Victoria certainly shows that serious risks are incurred whenever taxation exceeds the annual income arising directly from the property taxed and that if land is to continue to be a safe foundation for municipal finance it is essential that the taxation which can be imposed should bear some definite and reasonable relation to the market and rental value of the property taxed, and that great caution should be exercised in allowing fixed charges to exceed rental income, as such charges cannot be readily adjusted to falling market values.

If full advantage is to be taken of present methods of transportation, expenditures on a comprehensive plan will have to be undertaken in both town and country districts. It is timely, therefore, to consider anew the relative obligations of property and of the communities in regard to road improvements. Under the common law if the public acquires a right of way by prescription, gift, or purchase, the public becomes the owner and it should do what is necessary to make the right of way suitable for public use. No such obligation has hitherto been imposed on adjacent owners without their consent expressed or implied. Only a portion of the traffic on the majority of streets originates with the property fronting on them and this is particularly true of residential streets and trunk roads in rural districts which are used freely by the general public as thoroughfares. On the other hand, property in settled districts has little value without adequate means of access.

A fair solution of the problem can probably be found in a division of the cost of road improvement between the adjacent property and the public, the former being responsible for not more than the expenditure which would be sufficient to give adequate means of access, taking into consideration the character and value of the property assessed, and the municipality paying for such further outlay as may be considered necessary to meet public requirements or public policy. An equitable basis having been established for this division of cost, an obligation might fairly be laid, by statute, on all property to contribute to the cost of improvements on roads to which it has direct access, bearing in mind that the maximum contribution, taking the form of a fixed charge on the property, should not place in jeopardy its equity, otherwise there would be no margin left on which to place general taxes and the property might fall into the hands of the public through the non-payment of taxes or assessments.

It is necessary to consider what class of roadway a prudent owner might be reasonably expected to provide in order that his property should have adequate means of access and the answer to this enquiry will vary with the character and value of the property under consideration and whether it is rural, business or residential property. The prosperity of rural districts largely depends on the development of motor transportation. Trunk roads should be provided, leading to the market centres, with feeders from the various farms and settlements on the right and left. The main roads should be sufficiently good to carry heavy traffic moving at a speed of fifteen to twenty miles per hour. These roads should have a hard surface from fifteen to eighteen feet in width and sidewalks will generally be unnecessary. The feeders will be of a cheaper character and their motor surface need not exceed about twelve feet. The cost of these feeders can be placed on the property having direct access to them without creating a burden in excess of the benefit received. Property fronting on the rural trunk roads should be required to pay such portion of the total cost as would represent the cost of a feeder, but it should not be required to assume the extra cost of the trunk road made necessary by the concentration of traffic.