

The Assessment of Land in Relation to Its Use

Mr. Thomas Adams, Town-Planning Commissioner, Attached to the Commission of Conservation, Ottawa, Has Contributed an Instructive Article Printed in the November Issue of the Canadian Municipal Journal on Assessment of Land in Relation to Use for Production and Residence.

"In Canadian cities we have been making experiments in methods of taxing land and improvements. Some of these experiments have been successful—judging success by their equity, ease of collection, and economic soundness—and others have not.

"It can hardly be said that we have based these experiments on scientific foundations, or that we have convinced ourselves of the soundness of the reasons for making changes from established systems in older civilizations. On the whole, however, we have proceeded under the influence of good intentions and not without regard to experience. It is a natural failing that in our attempts to cure some of the evils of monopoly in older countries we have set up new forms of evil that need correction.

"The time seems to have come to consider these experiments in the light of the maturer experience we have gained, and to inquire whether or not some modifications need to be made.

"It is well in such a contingency to consider a few first principles for our guidance, and to bear these in mind in any consideration we may give to local or perhaps transient conditions.

"Land is a necessity for purposes of production, and in connection with manufacture and distribution it is also a necessity for the purpose of that intensified form of residential use we find in cities. In fairness to the community, land should therefore never be a monopoly and can hardly be said to be a monopoly in this country where the ownership is so widely distributed. Have we not made the mistake of applying a remedy for an evil that does not exist, and failing to touch what is the real evil? We object to monopoly because when land is held by a few in locations where it is needed for the use of the many it causes the price of land to rise and undue profits to be made for the benefit of the monopolist at the expense of the user. Our experience, however, is that the cost of land to the user in Canada seems to increase with the numerical increase of owners rather than the decrease of owners. That is a condition caused by gambling, or excessive speculation and not by monopoly.

"Whether high land values are caused by monopoly or excessive speculation, they are equally an evil—being in either case a tax on productive use. But the remedy for monopoly may not be a good remedy for speculation. We have first, therefore, to be sure what it is we want to remedy. High taxation may be a good thing to destroy monopoly in a country where land is scarce and owned by a few; it may be a means of destroying production and burdening the producers instead of the speculators in a country where land is plentiful and owned by fifty or more per cent. of the citizens.

"A large portion of our wealth is produced by the use of land for productive purposes. The more costly it is to the producer the more difficult it is to produce at a profit in competition with other countries. A country that is rich in land values may be proportionately poor in production—the real basis of wealth. In the past we have attracted large numbers of people to Canada by cheap land and it follows that if land is made dear by any cause we may keep population away. With due regard therefore to equity and to securing revenues for maintaining a good standard of social conditions, we should avoid doing any-

thing or permitting anything that will increase land values—both in town and country.

"Methods of assessing land for purposes of taxation may have the effect of maintaining high land values. In so far as it does so it is an evil. We have sought in some of our methods to encourage the investment of capital in buildings by undervaluing buildings and putting a higher tax on land, but in process of doing so we have caused the person who builds to pay more for the land and to pay higher taxes on his site, so that he obtains little, if any, advantage. Our object has not been that of Henry George, who had one object and one only, namely, to secure gradual absorption of the annual rental value in taxes. We have gone further than Henry George in some cases, and there is land in some cities which pays much more in taxes than its annual value is worth for any immediate use.

"Local taxation should have regard to ability to pay and to benefit received by the person who pays. If it does not have regard to ability to pay the chances are that the tax will gradually become uncollectable. When a tax becomes uncollectable it means that the owner does not consider the land worth holding under the incumbrance created by the tax and therefore the taking over of the land by the city is not a means of collecting the value of the tax but merely of punishing the owner. It means also that capital is driven from investment in the land because of the uncertainty of the investment. Moreover, the very fact it is uncollectable suggests that it is inequitable—and this is one reason why the collection is not enforced. If it does not have regard to benefit received the tax is inequitable.

"We should assess land at its actual use at the time it is assessed, not its use at some future time. If it is subsequently converted into some other use we should collect a high tax on the profit made on the occasion of conversion, commonly known as an increment tax.

"We should not tax land for bad or crowded use but prevent such use. We should not tax land for non-use but make it a condition of ownership that it be used. Nearly all land will be found to have some use, even if only as public or private park land. If it is not capable of being used it should be assessed at a nominal figure and should be purchasable by the community at that figure for open spaces when required.

"(a) We should encourage the ownership of agricultural land in our cities and tax it as agricultural land.

"(b) We should prevent land being subdivided, until it is ripe for building by reason of its proximity to means of transportation, and the ease with which it can be served by sewers, water, etc. If by neglect of the exercise of that power in the past bad subdivisions have been made in outlying districts, we should have these subdivisions cancelled. Such land should be assessed at its value for present use, and the city should refuse to spend any capital in adapting it for other uses until the land already developed and improved it built upon to a reasonable degree of density.

"(c) We should have power to collect an increment tax on such land if and when it is converted from agricultural purposes.

"(d) In order to secure an adequate solution of the problem we should prepare a city plan as the basis for assessment as well as the basis for securing the proper development of the land for health and convenience.

"(e) The difficulties caused by past methods require that the first step needed is to make a thorough investigation and to draw up a scheme showing what compromise can be made and how to secure an equitable arrangement for the future in the interests of the owners without loss to the city. No remedy will be sound which merely satisfies existing conditions without removing the causes which have produced them."