An Invitation to Adopt a Policy Designed to Raise the Revenue Needed to Achieve the SDGs and UN HABITAT Agreements

As a public official you may be searching for a sustainable and equitable source of public finance, one that can fund infrastructure, public education and other public goods while also addressing poverty, wealth inequality and the need for affordable housing for all.

We hereby invite your collaboration in an SDG Urban Finance Initiative that would determine the potential impact of a land value taxation system of public finance in your municipality.

Like many other cities and towns in the world, yours may have underutilized vacant lots, shoddy dwellings, and abandoned buildings. Landlords and speculators sometimes hold onto these properties for many years, hoping that someday they can be sold for a high rate of return.

Our approach to public revenue generation is strongly recommended by the United Nations HABITAT (UNCHS) as stated in the agency’s founding documents. By increasing taxes (aka “land rent capture”) on the value of land sites while reducing taxes on buildings, other capital improvements, and the labour of hard-working citizens, property owners are encouraged to either put their land sites to good use or sell them to those who are willing and able to do so.

As a result, old buildings are renovated, land and thus housing becomes affordable for working people, land speculation is no longer profitable, and crime decreases as the quality of life improves for everyone. (continue next page)

DENSITY IS VALUABLE AND THAT VALUE IS REFLECTED IN THE PRICE OF LAND. IN THE URBAN CENTERS THERE ARE ENORMOUS RENTS ON RISING LAND VALUES. THE TAXATION OF LAND APPRECIATION OFFERS HUGE SCOPE FOR FINANCING THE COST OF URBAN INFRASTRUCTURE. - DR. PAUL COLLIER, PROFESSOR OF ECONOMICS, OXFORD UNIVERSITY, AUTHOR OF THE BOTTOM BILLION AND “LAND AS A KEY DEVELOPMENT ISSUE”
Furthermore, land value taxation recovers the value that public spending on services and infrastructure gives to land. When robustly implemented on all land sites based on fair and current evaluations, land value taxation stabilizes land prices, keeping land accessible and affordable for those who need it. By replacing harmful, unfair taxes on production, exchange and wage labour, land value taxation incentivizes wealth production while ensuring a fairer distribution of wealth – both essential in order to dramatically reduce poverty. Moreover, justice in possession and use of land can prevent destructive conflicts over land.

Public services and infrastructure can pay for themselves with this approach to revenue generation. Wherever local, regional or national governments bring public order, safe water, sanitation, parks, schools, roads, mass transit or health facilities, land values increase. These increased land values—which often exceed the related public costs—are the natural earnings of the community, region or nation, yet few governments currently recover more than a small fraction of the land value they create. Jurisdictions that use land value taxation/capture possess a vital key to distributive justice: the benefits given by society are reflected in land value which is returned back to society in order to fund the public benefits. This is a virtuous cycle that sustains a self-financing, self-renewing city and furthers economic opportunity for all.

Recovered land value can be used to 1) operate, maintain and extend existing services and infrastructure; 2) fund revolving loans for low-cost housing and micro enterprises; 3) repay bonds issued to build schools and other public facilities; or even to 4) distribute as citizen dividends.

Note that “land rent” – the unearned income or social surplus accruing to land - is a significant sum, estimated at 20 – 30 percent of GDP in most countries. Most often, the taxable capacity of land is such that land value taxation can enable local government to fulfill its basic responsibilities for the provisioning of infrastructure, public education and other basic services for all – and without placing a tax burden on labour and productive capital.

The International Union for Land Value Taxation (the IU), a not-for-profit association headquartered in London, UK with members worldwide, offers city mayors and other public officials pro bono consultation for the implementation of land value tax policy. We are affiliated with the United Nations via consultative status with ECOSOC.

Upon completion of a brief Memorandum of Understanding and receipt of your answers to our Research for Land Value Tax Policy Questionnaire our team of consultants will make recommendations and provide informational resources based on their knowledge of best practices for implementing land value tax policy tailored to your specific situation.

You may work with us through the individual providing you with this information or you may contact the Administrative Director of the IU, Alanna Hartzok via email to alannahartzok@gmail.com or phone 00 1 717-357-7617 (New York City time zone).

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Can land value based public finance fund sustainable development goals?

Wherever local, regional or national governments bring public order, safe water, sanitation, parks, schools, roads, mass transit or health facilities, landowners immediately get higher rents and prices. These increased land values—which often exceed the related public costs—are the natural earnings of the community, region or nation, yet few governments currently recover more than a small fraction of the land value they create.

Recovered land value (land rent) can be used to 1) operate, maintain and extend existing services and infrastructure; 2) fund revolving loans for housing and micro enterprises; 3) pay for environmental restoration and protection; 4) repay bonds issued to provide other public facilities; and 5) replace taxes on labor and production.

Land value based public finance also secures another important social and environmental benefit: rational, balanced development. Growth radiates smoothly from more intensive use in the urban centers to rural areas without pockets of vacant or poorly utilized land in between. Urban sprawl is curtailed and rural land is more readily retained in its natural state, available for parks and nature preserv es. There is also less pressure to build on agricultural land near urban areas. Rational and balanced development decreases costs for transportation, utilities, fire and police protection and other public services, all of which further results in increased social cohesion and an interesting, safe, “walkable” city. This form of public finance is thus an essential component of good urban planning and can readily fund SDGs.

Does this public finance approach address the problem of wealth inequality?

Shortsighted economic development programs often increase inequality, aggravating poverty as a cost of progress. Securing safe and reliable water supplies, introducing better farming methods, etc. increases the land users' advantage, but also the rents and mortgages they must pay for land access. Fair land tenure is essential for successful, equitable development and is attainable via land value return and recycling.

Freedom, justice and prosperity are directly linked to fundamental equitable rights to access land. People who can work on their own landholdings can better negotiate fair wages and need not bid against each other for scarce jobs. Reducing taxes on wages, a corollary of this public finance approach, increases purchasing capacity and thus the ability of workers and landless people to secure housing and engage in productive activities. Opening opportunities for all to produce food, rear animals, start businesses and build homes bridges the wealth gap.

What about gender equality and women’s rights to land?

Women hold a small fraction of land compared to men. Their roles in child rearing and the community often make them less mobile than men. When women migrate to cities where jobs may be scarce, they sometimes become targets for exploitation at subsistence wages or even worse conditions. Land value based public finance strengthens the economic status and security of women by reducing gender-based inequities stemming from inequitable land tenure systems. Access to land enables women to secure sites for housing, food production or small businesses. Women's job opportunities and purchasing power increase as taxes are lifted from family earnings and placed on land values. Women and men are both better off, enhancing social stability. Inclusion of women in the implementation of this public finance tool is essential in order to incorporate their views and concerns. Reforms must respect women’s equal rights to land and account for the effect that this approach to public finance might have on customary land tenure arrangements.
Note that “land rent” – the unearned income or social surplus accruing to land - is a significant sum, estimated at 20 – 30 percent of GDP in most countries. Most often, the taxable capacity of land is such that land value based public finance can enable local government to fulfill its basic responsibilities for the provisioning of infrastructure, public education and other basic services for all – and without placing a tax burden on labour and production.

**What are the basic requirements for implementing land value based public finance?**

A successful land value based public finance system requires the following:

1. A cadastre (land register), transparent and freely available to the public, documenting the location, boundaries and physical qualities of each land parcel. Today's high-resolution satellite imaging, GPS technology and computerized surveying make assembling a cadastre much easier and considerably less expensive than in the past.
2. Descriptions of private and/or communal rights to possession and use of each parcel, including the landholder's identity, the nature and terms of tenure, designated uses (zoning), easements, and usage restrictions for the purpose of environmental or resource conservation.
3. Accurate assessments of the annual rental value of each parcel, and capital value where applicable. Again, computerized calculation of land value allows assessment of most sites quickly and at little cost.
4. Methodology for determining the percentage of land rent to be captured from each land parcel through a five to ten year period.
5. Means of collecting the funds.

All such information must be accurate, current, and readily accessible. To keep the system free of favoritism and corruption, citizens must be able to challenge erroneous information and anomalous assessments. The recorded information should be freely available to citizens, preferably both on paper in public offices as well as on the Internet.

For further assistance regarding this policy contact IU Administrator: alannahartzok@gmail.com Mobile: 1-717-357-7617 (New York, USA Time Zone)