# Land Lines

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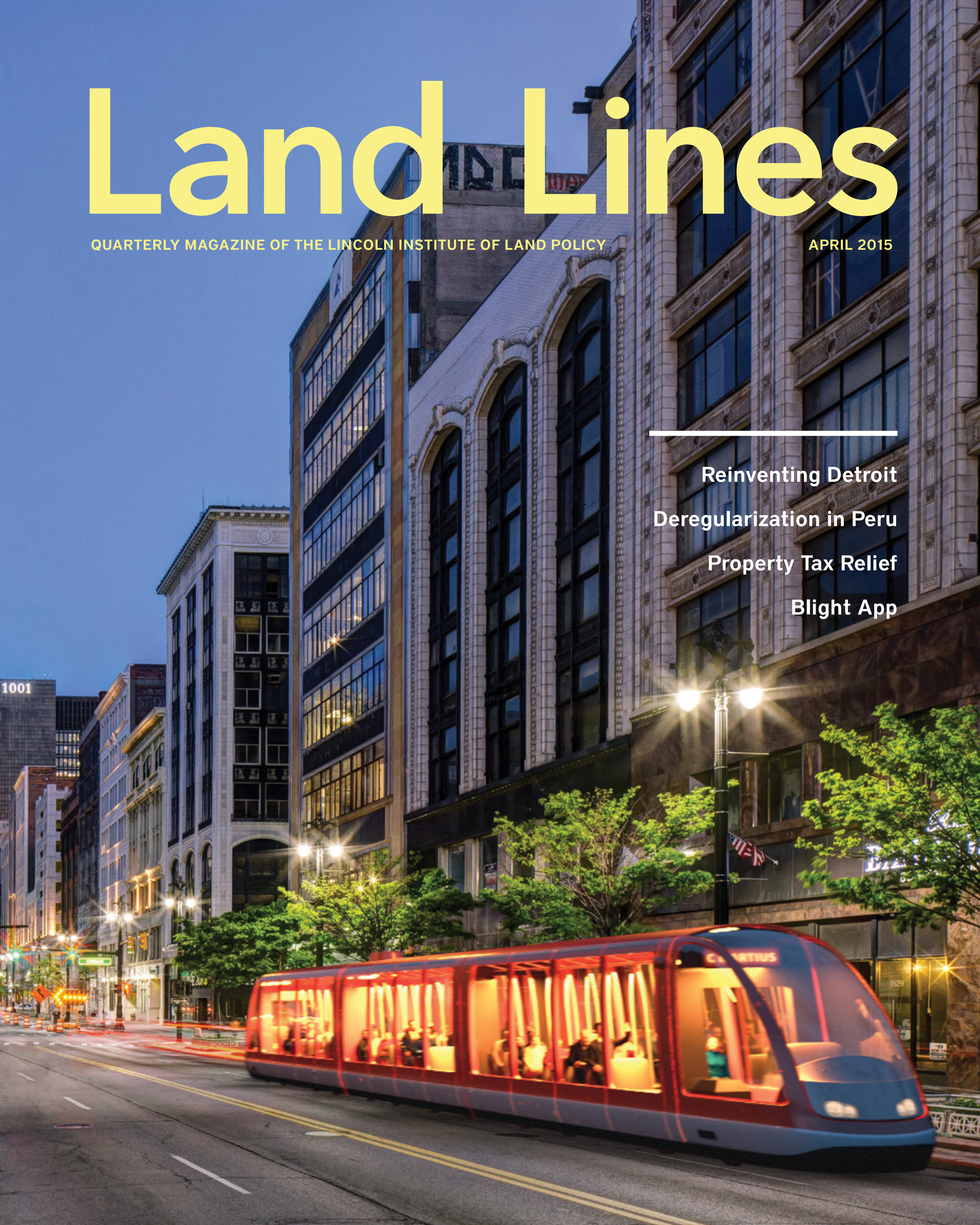

# Land Lines

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LINCOLN INSTITUTE OF LAND POLICY

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Cover: Detroit's M-1 streetcar is scheduled to begin operating in late 2016. Credit: M-1 RAIL

MESSAGE FROM THE PRESIDENT GEORGE W. McCARTHY

# Strengthening Municipal Fiscal Health

**WHEN ONE LOOKS AT FISCALLY DISTRESSED CITIES**, it is easy to conclude that insolvency is simply a product of ineffective management, a lack of financial discipline, or the incompetence or corruption of local government. However, several important countervailing facts are worth considering: fiscal insolvency of municipalities today is often the artifact of bad planning decisions made decades ago; many events that led to local fiscal insolvency, including bad planning decisions, were beyond the control of municipalities; and the delicate dance of matching irregular revenues against unpredictable expenditures challenges even the best-run municipalities.

Many planning decisions that catalyzed the decline of Detroit and other Rust Belt cities were made at higher levels of government. For example, construction of federal interstate highways in the 1950s often ran slipshod over local plans and preferences and greased the skids of urban exodus for families, enterprises, and wealth—motivated by the tax advantages of jumping municipal borders. The city of Detroit lost some 60 percent of its population and much of its industry and commerce between 1950 and 2000, while the population of the metropolitan area remained fairly stable. Tax bases and populations of nearby municipalities grew substantially while Detroit's evaporated during that half-century.

Similarly, policies at state and federal levels imposed unpredictable and often unmanageable spending requirements on local governments. Over decades, localities were buffeted by revisions in revenue-sharing formulae of higher-level governments or unfunded mandates. The Clean Water Act, for example, established a much-needed regulatory framework that has cleaned up waterways and protected citizen health since 1972. It also imposed draconian financial demands on local governments, saddling them with the costs of expensive water systems upgrades to meet ever more stringent standards, and the seemingly impossible challenge of separating storm water and wastewater in commingled underground systems built a century ago.

As municipalities internalize the message that poor financial performance is a local problem, they often take remedial actions that inflict more serious damage on their economic and social futures. One of the underreported aspects of the unfolding tragedy in Ferguson, Missouri, is the extent to which the violence and recrimination there is rooted in fiscal challenges. Ferguson, like many jurisdictions in St. Louis County, chose to supplement insufficient local revenues with traffic fines that were harshly enforced. Many similar jurisdictions derived 30 percent or more of their general revenues from enforcement of traffic violations. It is best left to the courts and the Justice Department to determine whether the pattern and practice of enforcement in Ferguson was discriminatory. But there is a separate issue involving the conflation of public safety and revenue generation, which can lead to perverse outcomes.

St. Louis County is not unique in its creative use of local courts as a revenue generator; it is pattern and practice in municipalities across the United States and other continents. In a 2006 study of North Carolina counties by the St. Louis Federal Reserve Bank, humorously named *Red Ink in the Rear View*, the authors found that a 10 percent decrease in annual revenues led to a 6.4 percent increase in traffic citations. Interestingly, there was no reversion to fewer citations when revenues rose. In one astounding case, the town of Waldo, Florida, derived half of its general revenues from traffic fines. New York City netted $624 million in general revenues in 2008 using aggressively priced and enforced parking violations. On the international front, the BBC and *The Guardian* accused London's Hammersmith and Fulham Council of using traffic courts as a major revenue source in 2013.

Another dangerous way that municipalities shore up finances is through the sale of tax liens to investors. Although this practice attracts needed revenue, conveying powerful tax liens leads to unintended consequences that are difficult to manage. The dominance of tax liens over all other liens gives extraordinary power to those exercising foreclosure. Savvy investors who pay a small share of outstanding arrearages to purchase liens can acquire properties at pennies on the dollar of actual value. These new owners manage their holdings to maximize return, which often runs counter to public interest when it promotes naked speculation on vacated properties or accelerated neighborhood decline through widespread absentee ownership.

Municipalities make desperate choices like these to improve fiscal status in part because of popular opposition to property taxes, the dominant source of local revenue. Any municipality that considers raising property taxes to cover obligations faces the prospect of local tax revolts or increased pressure to relieve residents and businesses of tax burdens. In this issue, Adam Langley analyzes the property tax credits and homestead exemptions that provide individual relief from this unpopular tax, but further constrict local public budgets (p. 24). Constraints imposed by property tax limitations often lead to more reckless measures to make ends meet.

Perhaps there are other approaches available to municipalities to restore fiscal health. In Detroit, an unprecedented partnership among the public, private, and civic sectors supported a participatory planning exercise called *Detroit Future City*. More than 100,000 residents contributed to the design of this extraordinary land use and economic redevelopment strategy. John Gallagher reports on early implementation of projects that are intended to bring this community vision to reality in the Motor City and turn around decades of decline (p. 14).

Municipalities in developing countries confront a different set of fiscal challenges. In many countries, as national governments devolve responsibility for supplying public goods and services to localities, municipalities must invent new local public finance systems; most see property taxation as a promising revenue option. However, effective property tax systems are built on foundations such as land registries and value assessment tools. The difficulty of building these systems is magnified in cities with expansive informal settlements, where residents and their homesteads are not officially registered or recognized. Ryan Dubé reports on some of the challenges of establishing and maintaining a property registration system in Lima, Peru, where an upgraded system has not delivered on hypothetical benefits proposed by theorists (p. 6).

The challenges of attaining and sustaining municipal fiscal health are manifold and complex but not insuperable. During the 1960s and 1970s, today's hottest American urban economies also struggled with population flight, urban blight, and insurmountable fiscal challenges: the cities in or near bankruptcy then were Boston; New York; Washington, DC; Seattle; and San Francisco. Their renaissance might have had less to do with their intrinsic greatness than the work of larger forces at higher levels of geography. This is not to cast aspersions on our great coastal cities; it is simply to make the larger point that municipal insolvency is a structural problem, not necessarily a product of any particular deficiency in local leadership.

As municipalities internalize the message that poor financial performance is a local problem, they often take remedial actions that inflict more serious damage on their economic and social futures.

Sound planning and effective public management lay at the heart of municipal fiscal health. A sound fiscal stance is required to finance public investment in projects that build a prosperous and sustainable local economy. A robust local economy grows a tax base that throws off revenues, which local governments need to pay for the public goods and services that support a good quality of life. But chronic and unpredictable variability of both local revenues and expenditures requires effective planning to survive inevitable bumps in the road.

In October, I named redevelopment—the effective reuse of previously developed land—a millennial challenge. Managing and sustaining the fiscal health of local governments is another such challenge. We need a better understanding of the theory and practice of planning, taxation, and valuation that can guide municipalities' efforts to pursue this elusive goal. The Lincoln Institute of Land Policy is uniquely poised to inform such efforts. In this issue, we've touched on a few topics that relate to municipal fiscal health; this millennial challenge will remain a major focus of our work here at the Institute. L

# Civic Insight's BlightStatus App

**FIVE YEARS AGO**, New Orleans resident Mandy Pumilia was concerned about the number of apparently blighted structures in her neighborhood, known as Bywater, where she is currently vice president of the neighborhood association. Despite post-Katrina recovery efforts, it was hard to identify and track truly troubled properties, and she didn't have access to city data that could have helped. Instead, she built her own Google spreadsheet and filled it in with the results of her own research and legwork. "It was an arduous process," she recalls. And despite her tech savvy and determination, it was a solution with limits: it wasn't easy to share the information beyond people she knew directly, and keeping up with property-specific city hearings was a chore.

Opening up data to people who really know the neighborhoods where they live and work amounts to a kind of crowd-sourcing strategy for planning-level city maintenance.

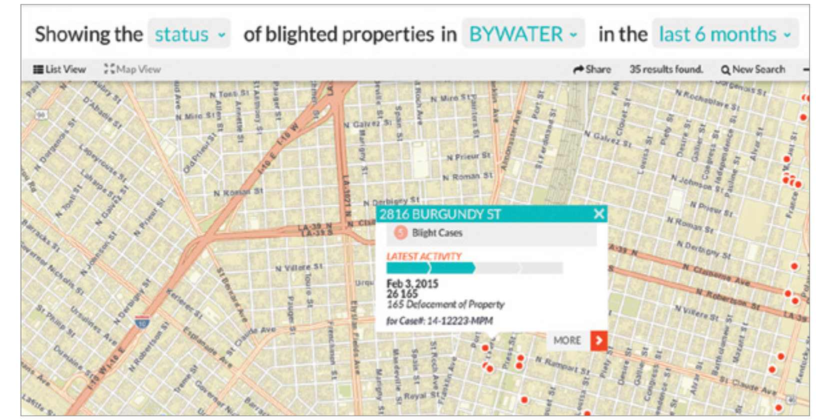
Since then, a web app called BlightStatus (blightstatus.nola.gov) has become a valuable new tool for her neighborhood recovery efforts. Created in 2012 by Code for America, a nonprofit specializing in open-source projects that benefit local government, BlightStatus makes it simpler for citizens like Pumilia to access property details, more deeply engaging them in managing blight and other planning challenges. The effort caught the attention of other cities and led to a spinoff startup called Civic Insight, which is now deploying its technology in Dallas, Atlanta, Palo Alto, Sacramento, and other places.

In New Orleans, BlightStatus aggregates information on inspections, code complaints, hearings, judgments, foreclosures, and more. This data is generally siloed or hard to access, but the app gathers and updates most of it daily. Users can search by address or use an interactive map to search at the neighborhood or citywide level. Particularly useful: a "watch list" feature that lets someone like Pumilia keep tabs on specific properties, and sends timely alerts about hearings and other developments. "And it makes it easier for me to empower other residents," she adds, "so I'm not the only keeper of information."

When other cities noticed New Orleans' embrace of the app and expressed interest in a similar tool, Code for America adapted the technology to work elsewhere. "We seemed to hit a nerve," says Eddie Tejeda, one of the BlightStatus creators. Specifics varied from place to place, but grappling with official property data was clearly a widespread frustration. Lots of people want information about buildings and property, Tejeda continues, but what's available is often "really hard to work with"; digging through it requires knowledge and experience.

With an investment from the Knight Foundation, the group formed Civic Insight in 2013, using their New Orleans work as a template that could be scaled for other cities large and small, with varied needs and data sets. (Setup and annual subscription-like fees vary by population: roughly $1,000 to $10,000 for the base rate plus 20 to 70 cents per capita.) Among its newer clients, Dallas is proving a particularly important case study. A sprawling metropolis with wildly diverse neighborhoods, from pricey and thriving to severely economically challenged, it's helping demonstrate that this approach to open-data technology isn't just for triage in a place like post-Katrina New Orleans.

The connection came via Habitat for Humanity. The nonprofit's New Orleans chapter has been an enthusiastic user of BlightStatus. Members passed the word to colleagues in Dallas, where the city has been grappling with strategies for using data to define, track, and address blight and related issues, such as identifying problem landlords. Launched in late 2014 with data similar to the information collected in New Orleans, the Dallas version will incorporate additional crime and tax-related




Civic Insight's web-based app allows users to search addresses like this one in New Orleans for a history of code violations, foreclosures, and other signs of neglect. Credit: (above) BlightStatus, (right) © Google Street View data: New Orleans

statistics that locals want to access more readily, says Theresa O'Donnell, the city's chief planning officer, who spoke about the app at the Lincoln Institute's Big City Planning Directors conference in Cambridge in October 2014. "As we get these programs up and started," she says, "we can rely more on citizens to let us know if [our blight efforts] are working or not."

Atlanta and Sacramento are rolling out their own programs to make use of the app this year, and other Civic Insight efforts are forthcoming in Fort Worth, Texas, and elsewhere. Client goals aren't limited to blight issues, notes Tejeda, now Civic Insight's CEO: in Palo Alto, where zoning, development, and construction are hot topics, architects and homeowners use the app to keep up with permitting processes. That flexibility is by intent. "It's relatively quick for us to map [raw data] to our application," he explains. "The role we play is being the translator between what the city has, and what the public needs." (The app is also built to accommodate new data sets—and it's no surprise that active citizens like Pumilia, in New Orleans, have lots of suggestions that Civic Insight is working to accommodate.)

Comprehensive data sets and other digital tools have helped to guide planners and other city officials for years, but what Civic Insight is up to is the next logical step. "There's this great opportunity to harness this data—sort of hidden data, for many cities—and bring it to life" in ways that are useful to citizens and planners alike, points out Lincoln Institute fellow Peter Pollock, the former head of planning in Boulder, Colorado.

Such accessibility matters because policy makers must "coproduce the good city" with residents, Pollock continues. "Planners are in the business of harnessing community energy around a vision for the future," he says. That means zoning and permitting—but also maintenance and compliance. "It's not just building the city; it's care and feeding of the city over time."

Still, the Civic Insight proposition may seem confusing at first: How does a city benefit by hoping citizens will pore over information that it already owns? But that's the point. Opening up data to people who really know the neighborhoods where they live and work amounts to a kind of crowd-sourcing strategy for planning-level city maintenance.

Just ask Pumilia. This is the essence of what she was trying to do in New Orleans with her DIY spreadsheet and a whole lot of grit a few years ago. Now she can monitor her neighborhood more easily and direct others to BlightStatus so they too can quickly round up the information they need and prod the city about troublesome properties.

Dipping into the data as we speak, she calls up the history of one local address: "So there are one, two, three, four, *five* cases against this property," she says. In short, she has just whipped up a ready-made dossier of neglect—one that helped persuade officials to start a process that should lead to the auction of that property.

Sometimes, Pumilia says with a laugh, "It requires citizen action to inspire people to do their jobs." L

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**Rob Walker** (robwalker.net) is a contributor to Yahoo Tech, Design Observer, and *The New York Times*.

# TO HAVE & TO HOLD

## Property Titles at Risk in Peru

*By Ryan Dubé*

**ALMOST 30 YEARS AGO,** Amalia Reátegui and her husband, Eusebio, packed up their possessions, wrestled together their eight children, and moved to their new home: a dusty plot of land on the barren outskirts of the Peruvian capital, Lima. At first, life wasn't easy there. Basic services, like running water and electricity, weren't available. Roads were unpaved, and public transportation was nonexistent. Quality schools and health clinics were far away, in the more established and wealthier neighborhoods.

But even though conditions were tough, moving to San Juan de Lurigancho, one of Lima's earliest informal settlements, offered the couple a rare chance to become homeowners, which would have been out of their reach in the city's traditional districts.

Little by little, things improved. They built a sturdy house made of concrete, got electricity and, years later, running water and sewage. Buses arrived, and even a metro connecting San Juan de Lurigancho to the rest of the city. Their children went off to postsecondary education, and later landed jobs in hospitals, the municipality, and the navy.

Just as important for Amalia and Eusebio was a piece of paper from the government—the title recognizing their formal ownership of the 120-square-meter plot of land where they lived.

Today, the couple still lives in the same peach-colored house, but their family home, like their neighborhood, has been transformed over the years. The one-story house is now a four-story building with eight two-bedroom apartments, one for each of their adult children.

For Amalia, a 71-year-old soft-spoken grandmother with shoulder-length black hair, this was all part of the plan. "When we first built our home, I always thought it would be for my children," she said. "It is my house, and it is for them."

After years of demanding legal titles for their homes, residents are allowing their properties to become deregularized by failing to use the national registry to document transactions.

But for her children, who spent the equivalent of tens-of-thousands of dollars to build the upper floors, the current living situation leaves them in a legal limbo, where the ownership of their apartments is based solely on a verbal agreement with their parents rather than legal paperwork.

## Reverting to Informality

The case highlights a new trend that is puzzling experts of urban development and property rights in Peru. After years of demanding legal titles for their homes, residents are allowing their properties to become deregularized by failing to use the national registry, known as Sunarp, to document property transactions such as real

The home of Marcelo Nuñez and Marta Nicho de Nuñez in San Juan de Lurigancho (left) may slip into informality because they have not registered the additional floor they are building for their daughter and grandson (right). Credit: Max Cabello Orcasitas estate sales, change of ownership within families, or the construction of additional floors subdivided into apartments. As a result, properties revert to informality, and the government registry does not accurately reflect the actual owners.

> "Children are now living in the same situation that their parents were living in 40 years ago. They've become informal again. Urbanistically, this is a time bomb."

The issue is a growing concern for policy experts, who say it could have major social, economic, and legal costs. Without legal registration, disputes can quickly arise among siblings over ownership of a family home after the parents die. Resolving the dispute can lead to high legal costs in Peru's already overburdened and slow courts. Informal owners can't use their property as collateral for formal bank financing, and they face lower resale value if they decide to put their home on the market. It also risks undermining the sustainability of Peru's pioneering titling program, a popular tool aimed at promoting economic development that was later emulated around the world.

"The children are now living in the same situation that their parents were living in 40 years ago. They've become informal again," said Julio Calderón, a Peruvian sociologist, Lincoln Institute researcher, and expert on property rights. "Urbanistically, this is a time bomb."

## The Rise of Informal Settlements in Peru

Like other Latin American capitals, Lima experienced a population explosion during the second half of the last century, as migrants from across Peru flooded into the arid coastal city seeking a better life.

In 1950, fewer than a million people lived in Lima. By 2000, that number had ballooned to 7.4 million, according to the United Nations Population Division. Today, the Peruvian capital is home to more than 9 million people, representing almost a third of the country's total population. The drivers of Peru's internal migration are varied, but it's mainly a result of political and economic hardships in the countryside. In the 1970s, the rural economy crashed following a failed agrarian reform by General Juan Velasco, a leftwing military dictator.

The economy was battered again in the early 1980s during one of the worst El Niño weather events on record, causing damaging floods and collapse of the fisheries. At around the same time, the leftist Shining Path rebels launched a violent insurgency in the southern highlands, forcing many residents there to flee to Lima to escape a bloody conflict that would claim about 70,000 lives.

In Lima, the government wasn't prepared for the wave of migrants. With nowhere to live, new residents began to take over vacant land on the city's outskirts, sometimes clashing with police. One of those informal developments eventually became San Juan de Lurigancho. Hector Nicho, a community leader there, remembers the authorities as being powerless to stop the flood of people who seized land, hoping to make it their own.

"The first day of the invasion, there were 15 or 20 people. The following day, we were 500. The day after that, we were 1,500. It just kept growing. They couldn't stop it, even though the state had sent police," said Nicho, who was just a boy when he participated in the land invasion some four decades ago.

Land grabs occurred throughout Lima, eventually leading to the creation of districts like Villa El Salvador on the city's southern edge and San Martin de Porres in the north. The squatters were some of the city's most impoverished residents, living in areas noticeable for the lack of state presence and vast informal economy.

By the late 1980s, things were only getting worse. Peru's economy had spiraled into hyperinflation. The Shining Path, once confined to the rural highlands, was fast encroaching on Lima, threatening to overthrow the government and install a Maoist-inspired regime.

San Juan de Lurigancho is the most populous district of Lima, with more than one million residents. Credit: Max Cabello Orcasitas

## De Soto's Titling Program

Around this time, Hernando de Soto, a Peruvian economist, proposed a way out of the mess. De Soto argued that providing legal ownership to property would trigger development by allowing the poor to leverage their individual assets in the formal economy and access financing. But complex and expensive bureaucratic barriers were preventing that from happening, De Soto said.

"They realized that one of the biggest obstacles to registering property in Peru was their own public registry," said Angel Ayala, a lawyer and expert on property registration. "The problem wasn't the informality. The problem was that the formal sector wouldn't allow you to enter it," he said, referring to the government's then-complex and costly regulations for property registration.

De Soto's ideas were embraced by Peru, which created a new legal framework to provide property titles for people like the Reáteguis, living in informal settlements in places like San Juan de Lurigancho.

In 1996, the government created the Commission for the Official Registration of Informal Property (COFOPRI) to lead a nationwide urban titling program. It also created a parallel registry, known in Spanish as the Registro Predial Urbano. The registry, which focused only on Lima's informal settlements, slashed the requirements for property registration, making it faster and cheaper for poor land owners to get titles.

> COFOPRI reduced the time to obtain a title from 7 years to 45 days. It cut the number of steps from 2,007 to 4. The cost of registering declined from US$2,156 to almost nothing.

The results were impressive. According to *Regularization of Informal Settlements in Latin America*, a Lincoln Institute report by Brazilian lawyer Edésio Fernandes, COFOPRI reduced the time to obtain a title from 7 years to 45 days. It cut the number of steps from 2,007 to 4. The cost of registering declined from US$2,156 to almost nothing.

Since its creation, COFOPRI has issued about two million property titles, making it one of the largest programs of its kind in the world.

"The people who worked there worked 24

hours a day," said Jorge Ortiz, a former COFOPRI employee who later became the superintendent of Peru's traditional public registry, known as Sunarp. "They really identified with what they were doing."

De Soto's titling policy became the preeminent approach for land regularization around the world. It won praise from development organizations like the World Bank and the Inter-American Development Bank, and from politicians like former U.S. President Bill Clinton. Peru, as a pioneer of the program, became a model for other countries in Latin America, Africa, and Asia that were also grappling with widespread informality and poverty.

Almost 20 years since the creation of COFOPRI, academics have identified several social and economic benefits from titling. Families with formal title, for example, invest more in their homes and their children's education, studies show. They also have fewer children.

Critics of the program, however, argue that De Soto's main hypothesis—that titles will increase the poor's access to formal credit—has simply not materialized as he envisioned.

They also point to unintended consequences of large land-titling programs, such as political manipulation and incentive for squatters to continue invading land, creating new informal developments without services, in the hope of being registered one day.

## The Risks of Deregularization

In Peru, one of the main concerns is the sustainability of the titling, as more and more properties are becoming deregularized. Years after they seized land, the original property owners are retiring or passing away. Their property, often given to their children, is slipping back into informality.

"What we have seen happening is that the second and third property transactions are no longer registered. For a number of reasons, people simply fail to keep their properties fully legal," said Fernandes. "So in a few years' time, you are back to square one in terms of the legalities of the area."

Amalia Reátegui (center) subdivided her home in San Juan de Lurigancho in order to build additional floors with apartments for her daughters and their families. Credit: Max Cabello Orcasitas

Unless the trend changes, policy experts say, the government's aggressive titling program could unravel, along with its benefits.

Informal property owners risk losing the most basic benefit of titling: tenure security and legal protection against eviction and fraud. They could face other costs, like legal expenditures to resolve disputes over ownership.

There are also opportunity costs. Informal homeowners can't use their property to access formal credit. They'd also miss out on receiving fair market compensation if they decided to sell their home.

The extent of the deregularization is difficult to gauge, but a recent Lincoln Institute study by Oswaldo Molina, an Oxford-trained economist, found that just 21 percent of second property transactions in Peru's recently titled areas were being formally registered (Molina 2014).

"When the reform started, it wasn't just an issue of providing titles to the people, but maintaining them formal," said Molina. "So what happened with the other 79 percent?"

"We are now going to have numerous properties with titles, but in the name of someone else," he added.

## Causes for the Failure to Register

During his time as the head of Sunarp, Ortiz said it was extremely rare to see individuals registering second property transactions. For Ortiz, this has been a disappointment.

"I believed in the model from the 1990s," said Ortiz, who was the head of Sunarp during the start of President Ollanta Humala's administration in 2011. "And now, some 30 years later, I'm seeing that it could go to waste."

The causes of deregularization are obscure, but experts point to cultural issues and changes in public policy as important drivers.

In many places in Peru, there is a strong respect for the verbal decisions of parents, even concerning important legal issues like property registration. In cases where a family home is subdivided, children rely on their parents, the property owners, to sign off on the transaction in order to provide them with a formal title.

Experts say that many parents are happy to let their children pay for the subdivision, but they don't consider providing formal title, believing that a verbal agreement is sufficient to split up the property. In other cases, parents refuse to provide title over concerns that they could lose control over their home.

"There is still a culture where you respect the decision and the word of the parents," said Jesus Quispe, the director of Cenca, a Lima-based urban development institute, which works in San Juan de Lurigancho. "Few transactions go through the legal system. There is a culture of informality."

Ramiro García, the head of the urban program at the Peruvian development organization Desco, says many families ignore the public registry until they confront a problem, like a legal dispute over ownership.

"It is bureaucratic, expensive, and families don't consider it necessary," he said from his office in Villa El Salvador.

Before Lima's population boom, families that couldn't afford to buy a home could move to the outskirts, grab a piece of land, and build a house. Today, most of the vacant land is gone. What remains is located on the edge of mountains, often unstable for living.

As land has become scarcer, demand for housing has remained robust. As a result, the city has started to expand upward, with apartment buildings replacing houses.

Real estate prices have also skyrocketed, driven by Peru's strong economic growth over the past decade. For young families from lower-middle class backgrounds, escalating costs have made it increasingly difficult to acquire their first home.

To help their children, parents who settled Lima's outskirts a few decades ago are now adding two or three floors to their homes, and subdividing them into apartments.

In San Juan de Lurigancho, Melly Rosas, a 53-year-old secretary at a church, decided to add three more floors to her house after watching her married children struggle to save up enough money to buy a property.

"At first, this wasn't our plan," she said. "But it was too expensive for them to buy land while paying rent."

"We are growing upward because there isn't any more space," Rosas added, referring to the increasing number of buildings in her neighborhood.

Rosas and her husband, Ricardo, haven't looked into providing titles for their children's apartments, but they plan to. "We know we have

San Juan de Lurigancho was a dusty outpost of Lima when Amalia Reátegui and her family settled there informally thirty years ago. Credit: Max Cabello Orcasitas

Marcelo Nuñez may pay costly fees to register the apartment his daughter is building on the second floor of his home, so that the title to the property remains formal. Credit: Max Cabello Orcasitas

to do so, because it will reduce a lot of problems they could have," she said. "Right now, everything is verbal."

A short drive away, on a quiet, residential street, Marcelo Nuñez, a 52-year-old shoemaker, lives in a spacious house with high ceilings that help to keep it cool during Lima's hot summer days. Attached to the house is a small store, where his wife sells soft drinks and potato chips.

Like their neighbors, Nuñez and his family slowly built their home over the last 30 years, one wall at a time. Now his 28-year-old daughter is building a second floor, where she plans to live with her baby boy. Nuñez's son, 25, will likely live on the third floor.

Nuñez said he hadn't planned to register the upper floors, even though they will be owned by his children. "For my part, I hadn't thought about doing it legally, because we are family," he said. "It's pretty strange to do a subdivision legally. Normally it is just by word."

But, like Rosas, Nuñez agrees that leaving his children without formal titles could create future problems. "If they're in agreement, I wouldn't have a problem with doing it legally," he said.

But cultural factors aren't the only impediment to property registration. Policy experts say that people like Rosas and Nuñez will run into several costly regulatory requirements if they eventually decide to formalize their properties.

The obstacles arose, experts say, due to the government's decision to eliminate the Registro Predial Urbano, the parallel registry created to speed up formal registration in Lima's informal settlements.

In 2004, Peru merged the Registro Predial Urbano into Sunarp, the traditional public registry that was seen as too costly and bureaucratic. The Registro's simpler procedures for second and third property transactions were replaced by Sunarp's more complicated and costly requirements.

Critics of the decision say the government made the change due to lobbying from powerful groups representing public notaries, who were concerned about losing lucrative business due to the Registro Predial Urbano. Unlike the traditional registry, the Registro allowed property owners to hire any lawyer, not just notaries, to legalize their transactions.

"By returning to the previous system, the costs multiplied by five. People said, 'No, I'm not going to do that,'" said Ayala, the lawyer and expert on titling. "The issue isn't cultural. It is about how to maintain the titling process in the formal system."

Deregularization in Peru has far-reaching consequences for other countries that established their own titling programs based on the Peruvian model.

Argentine economists and Lincoln Institute researchers Sebastian Galiani, of the University of Maryland, and Ernesto Schargrodsky, of the Universidad Torcuato Di Tella, found that in a recently titled suburb of Buenos Aires a significant portion of households were falling back into informality. In a 2013 study, the authors concluded that deregularization was likely due to the unaffordable cost of keeping the properties formal (Galiani and Schargrodsky 2013).

"This isn't just a Peruvian issue, but something that is much larger in the region," said Molina, the economist who studied deregularization in Peru. "It is a problem with the short-term view of the reform."

## Potential Solutions

To stem the tide of deregularization, policy experts say authorities will need to intervene now to prevent the need for costly retitling programs in the future.

Some small steps have been taken. In 2007, the government issued legislation to provide lower-income title holders with funds to formalize subdivisions, a process that first requires them to register construction of the house. (Peru's registration program gave residents titles to the land, but not the house built on top.) However, registration experts say the 2007 program was never fully implemented.

More importantly, experts say the government should reinstate simpler procedures, like those that were discarded when the Registro Predial Urbano was integrated into Sunarp. "The concrete thing to do would be to reconsider mechanisms that were used before," said Molina. "The Registro was created so that the poor could correctly receive titles."

Regulatory changes may not be enough on their own. Many experts insist that the problem requires authorities to tackle Peru's broader culture of informality as well. To do so, they say, the government should launch a campaign to educate residents about the importance of maintaining their properties formal.

"This is a problem that the government has to address," said Gustavo Riofrio, a sociologist and Lincoln Institute researcher who has spent his career studying property rights. "You have an entire city that was made by these people who are facing the same problem. It is now a social problem, not an individual one."

Officials at Sunarp say they are working to simplify procedures for property transactions, without jeopardizing the legal security that the current system provides. Sunarp says it is also working to educate people about the importance of using the registry, but acknowledges that the government "hasn't been able to instill in the population the importance of formalization."

Until there is a greater acceptance of the regulatory system, some lawyers say Peru should make registration compulsory. Unlike many other countries, Peru does not require registration of property transactions; it's voluntary.

"We have to educate people so they understand that registration doesn't just provide security. It's important to create value as well," said Ortiz. "But until we have a new culture, we need to require people to register by modifying the civil code."

At the home of Amalia and Eusebio, in San Juan de Lurigancho, their 40-year-old daughter Emma is eager to discuss property titles.

Emma, who lives in a third-floor apartment with her son, says the subdivision of her childhood home is working out nicely so far. The family members respect each other's space, but they still get together for a lunch on Sunday. The children also help their aging parents with expenses such as food.

But Emma says she knows it's important to define ownership legally, especially after seeing cases where other families get mired in legal conflicts over their home. She thinks her parents will eventually start the process to provide their children with titles.

"My mom and dad still feel physically well. When that changes, I think they'll let it go," she said. "But for the moment, they are still keeping it tied up. For me, that's OK."

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# DETROIT

# The Once and Future City

*By John Gallagher*

**OLD-TIMERS IN DETROIT LIKE TO RECALL THE 1950S AND '60S AS A GOLDEN AGE OF URBAN PLANNING.** Under Charles Blessing, the city's charismatic head planner from 1953 to 1977, Detroit carried out a series of ambitious attempts to reshape its urban landscape. Sweeping aside a century's worth of tenements and small commercial structures, it created the Mies van der Rohe–designed Lafayette Park residential development just east of downtown, a light industrial park west of downtown, and block after block of low-rise moderate-income housing on the north side. Edward Hustoles, a retired veteran planner of those years, recalls how Blessing enjoyed such status as Detroit's visionary that over lunch at a nice restaurant he would sketch his plans all over the tablecloth; if a server complained, Blessing would roll it up and tell her to put it on his bill.

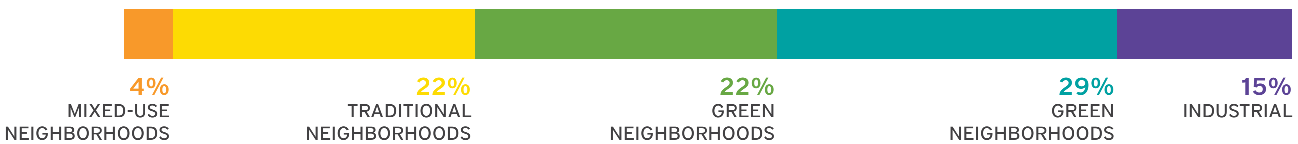
Times change. Blessing retired in the 1970s, and by then Detroit was mired in its long-agonizing slide into Rust Belt ruin. The twin scourges of deindustrialization and suburban sprawl, which hurt so many cities in the American heartland, hit Detroit particularly hard. Numerous factories, so modern when they were built in the early 20th century, looked obsolete by the 1950s and '60s, and were mostly abandoned by the end of the 1980s. The new car-enabled culture of suburbia, aided and abetted by federal highway building and other measures, encouraged hundreds of thousands of residents to flee the city for Birmingham, Troy, and other outlying communities. The exodus was hastened by fraught race relations, which grew especially toxic after the 1967 civil disturbances. Without inhabitants, Detroit's vast stock of small wood-frame worker housing moldered; arson, crack, metal stripping, blight, and other ills corroded entire neighborhoods, forcing the city to raze block after block of homes in the 1990s and 2000s—a trend accelerated by the 2007–2008 real estate crisis, which compounded a vicious cycle of property tax delinquency and foreclosure, decimating what remained of Detroit's housing market. Today, the best estimates suggest that at least 24 square miles of Detroit's 139-square-mile land area are

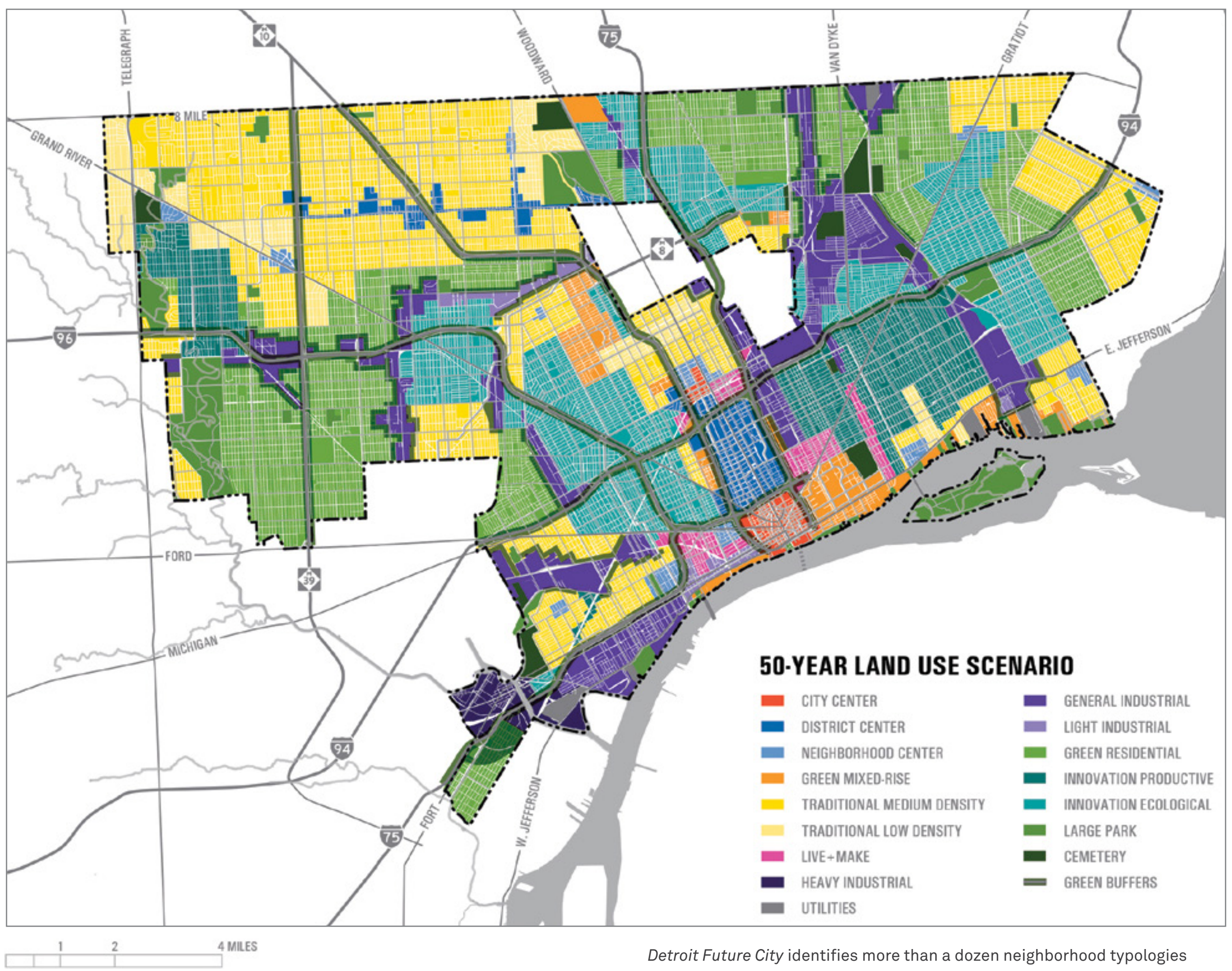
*Detroit Future City* won praise as a visionary new way of thinking about older industrial cities and for its ambitious effort to include ordinary Detroiters in the conversation about their future.

An area the size of Manhattan, a quarter of Detroit's total acreage is empty.
Credit: Alex MacLean
The M-1 streetcar (right), now under construction, will link the city's densely settled Downtown and Midtown areas by late 2016. Credit: M-1 RAIL

empty, and another six to nine square miles have unoccupied buildings that need to come down. Add in municipal parks that the city no longer maintains and abandoned rights-of-way like old railroad lines, and 25 percent of Detroit—an area larger than Manhattan—is vacant.

By the 1990s, urban planning had become obsolescent as a focus and a guide. A series of mayors tended to latch onto whatever showcase projects came along—the much-maligned Renaissance Center in the 1970s, or casino gaming in the late 1990s. Detroit's municipal planning department found a new role administering federal community development block grants, and, in recent years, the department had more accountants than planners. But in 2010, then-Mayor David Bing initiated a strategic attempt to address the problem of widespread vacancy and the burden it placed on municipal services and budgets. That effort culminated in 2013 with the publication of *Detroit Future City*, the 354-page comprehensive framework for how Detroit might strengthen and regrow its troubled neighborhoods and repurpose its empty lots and buildings over the coming decades. Advocating widespread "greening" strategies—including "productive landscapes" that would put vacant land to new use through reforestation, rainwater retention ponds, the installation of solar panels, and food production—*Detroit Future City* won praise as a visionary new way to think about older industrial cities and to include ordinary citizens in the conversation about their future. "In the annals of civic engagement and community planning, *Detroit Future City* is probably the most extensive community outreach and planning exercise that I've ever encountered," said George W. McCarthy, president and CEO of the Lincoln Institute of Land Policy.




*Detroit Future City* identifies more than a dozen neighborhood typologies (above)—from city center zones to "live + make" warehouse districts, to green residential areas (right)—and provides a menu of strategies for each. Credit: Detroit Future City

CITY CENTER

LIVE + MAKE

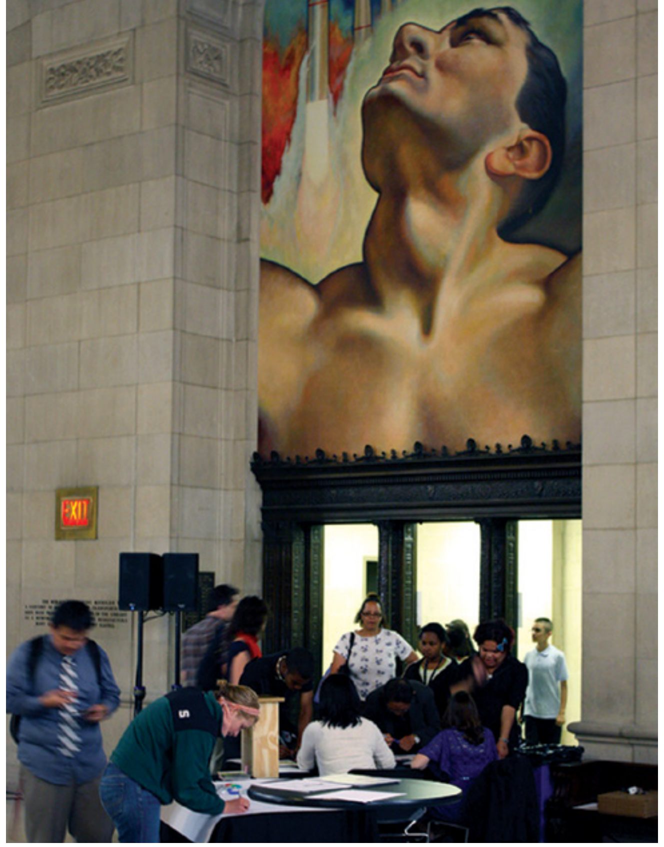
GREEN RESIDENTIAL

## Origins and Essence

By 2010, three years before Detroit would file the largest municipal bankruptcy in U.S. history, the population had dwindled to 700,000 from its peak of 1.85 million in 1950. Then-Mayor David Bing needed to realign city services to account for the diminished tax base and thinning of the urban streetscape. His initial suggestion to reporters that he would move the few remaining inhabitants out of some of Detroit's most abandoned "ghost" neighborhoods drew blistering comparisons to the urban renewal projects of the past and even hoots of "ethnic cleansing"; the idea was quickly shelved. Also that year, the mayor and top aides staged a series of community meetings called Detroit Works to elicit a dialogue with citizens about the need to rethink how the city should operate in the future. But residents had other ideas. The meetings quickly devolved into chaotic complaint sessions where hundreds of residents demanded better street lights, police protection, and other city services fast.

> Unlike a traditional master plan, *Detroit Future City* is a strategic framework for thinking about different neighborhood types and how each might evolve given existing trends.

McCarthy, who was then with the Ford Foundation and a supporter of Detroit's revitalization efforts, said leaders should have known better. "When you bring normal citizens into the planning process, they enter the exercise as if it's a public meeting and the way to be heard is to shout the loudest," he said. "If you're sincere about civic engagement, you have to take the time to train



Residents helped to inform *Detroit Future City* by attending civic engagement events like this one at the Detroit Public Library. Credit: Detroit Collaborative Design Center

citizens to be planners. You have to devote a significant amount of time and attention to get people to understand that planning is about making difficult decisions in a constrained environment."

With funding from the Kresge Foundation and other sources, the city regrouped and hired teams of consultants, including nationally respected planning staffers such as Project Director Toni L. Griffin, professor and director of the J. Max Bond Center on Design for the Just City at the Spitzer School of Architecture at the City College of New York. Under Griffin's leadership, they began to map out the document that would become *Detroit Future City*.

The group took pains to avoid the word "plan" when they presented it to the public. Unlike a conventional master plan, which basically creates a map of what uses will go where before the private sector comes in to fill it out with development, *Detroit Future City* is a strategic framework for thinking about different neighborhood types and how each might evolve given existing trends.

"We did not want to leave the city with static illustrative pictures of what their city could look like," Griffin says. "There were already lots of those around. We wanted to leave the city with a tool that would enable people to manage change, because as you know Detroit is still very much in flux in terms of its governance, fiscal structures, city services, population loss, and ever-changing composition of land vacancy."

The framework had to enable decision makers to act as that change was occurring over various periods of time. "It offers different decision-making structures that allow someone to say, if this is your condition today, here are the kinds of options you might think about to move that condition from A to B," Griffin says. To simplify: If a neighborhood is showing a significant and growing level of vacancy but still retaining some useable housing and commercial stock, the vacant land there could be converted to food production or to a solar panel field to power local businesses. But a neighborhood with little vacancy and with much higher levels of density might plan infill development for its few vacant lots. Rather than suggesting that the corner of Woodward Avenue and 7 Mile Road ought to get a shopping center, the framework offers a series of examples of what might take place given certain neighborhood typologies. The mantra became "every neighborhood has a future, just not the same future."

*Detroit Future City*'s greening strategies were particularly important and drew the most attention because of the huge amount of vacant land where development is not a realistic option and probably won't be for many years to come; perhaps one-third of the entire city cries out for some new purpose and use. The more vacant spots on the map could be rendered productive by the installation of fields of energy-producing solar panels, reforestation, farming, or "blue infrastructure," such as rainwater retention ponds, bioswales, and canals that provide water for agriculture and that redirect rainwater and snowmelt away from Detroit's already overburdened combined sewer system. Almost all these uses presumably would be private endeavors but would require city permitting and perhaps other assistance, including zoning changes or partnerships with various philanthropic or nonprofit groups. "You need to have a greening strategy, so you can use this land in ways that, at a minimum, don't drag down existing populated areas and, at a maximum, enhance the quality of life, economic productivity, and environmental quality for the people of Detroit," says Alan Mallach, a *Detroit Future City* consultant, nonresident fellow of the Brookings Institution, and author of *Regenerating America's Legacy Cities*, published by the Lincoln Institute.

But the plan also envisions significantly greater population densities in those areas of Detroit already undergoing a rebirth, such as the Greater Downtown area, where young professionals have sparked a recent residential boom and where companies led by Quicken Loans, which moved downtown in 2010, have filled up previously vacant office towers. It suggests that Detroit's existing hospital and manufacturing corridors could and should see concentrated new investment to beef up job training opportunities and new residential and retail development in those nodes. Key employment districts could be linked by new public transit options, such as the M-1 Rail streetcar line now under construction along Woodward Avenue, the city's main street, thanks to public-private financing. Construction began in mid-2014 on the $140-million, 3.3-mile line, which will connect downtown from Jefferson Avenue to the city's New Center area, another hub of activity, running through the rapidly revitalizing Midtown district. The line is expected to be finished in late 2016. If voters approve a new property tax millage expected to be on the ballot in 2016, M-1 could be followed by a regionwide bus rapid transit system to be built out over the next several years.

Mallach describes *Detroit Future City* "as a reality check against what's actually happening, against how you're spending your money, where you're making your investments, what you're prioritizing, and so forth."

"*Detroit Future City* offers a menu," he adds. "It doesn't say this site should become an urban farm; it lays out the options."

## Civic Engagement

Deciding what would happen where would be left to the political process—with neighbors, city leaders, and other stakeholders all taking part. Thus, public input would be critical to success.

In 2012, the *Detroit Future City* team hired Dan Pitera, a professor at the University of Detroit Mercy (UDM) School of Architecture, to design a new and better civic engagement strategy to harness and direct residents' desire for change. Efforts ranged from informal chat sessions at a "roaming table," designed by UDM architecture students and set up at various locations in town, to a series of meetings at community centers, where 100,000 residents engaged in discussions that informed the urban rehabilitation.

During this planning stage in 2012 and early 2013, a new walk-in office in the Eastern Market

> "Now it's not just the environmentalists or the climate change folk talking about carbon forests; it's residents and the executive directors of community development corporations," Griffin says.

DFC Executive Director Kenneth V. Cockrel, Jr. (right), was among the 500 volunteers who planted 400 trees as a carbon buffer near the Southfield Freeway in late 2014. Credit: Detroit Future City district allowed residents to meet staffers, see plans, take surveys, and the like. Those working at the office included staffers from UDM's Detroit Collaborative Design Center, directed by Pitera, and the nonprofit Community Legal Resources. Pitera's group also created a mobile phone app to encourage community involvement. And the team created 25 color posters keyed to city issues, such as vacant land or community gardens, for distribution by the thousands throughout the city.

During one Saturday morning meeting in 2012 at the Detroit Rescue Mission, some 50 residents got a peek at what various neighborhoods might become depending on current conditions and residents' desires. Some of the attendees gave positive reviews. "The conversation is just what we need to get back to the real issues," said Phillis Judkins, 65, of the North End district. And Larry Roberts, 70, who lives in Detroit's Indian Village neighborhood, said the 2012 public meetings were more productive than the somewhat chaotic mass meetings Detroit Works held in the fall of 2010. "Today it looks like there are people with ideas that can move forward," he said.

Some skepticism remained, of course, about how many of the good ideas would become policy in the cash-strapped city, and how many might ever be carried out. "If the city government buys into this plan and communicates to us what they're going to do, I think it will work out all right," Roberts said.

Under current Mayor Mike Duggan, who took office in 2014, a roster of neighborhood offices have opened to deal more closely with citizens and their concerns than previous administrations had done. The level of community involvement to date has been evidence that Detroiters have not given up on their neighborhoods, even in the hardest hit areas.

## Rubber Hits the Road

Happily, concerns that *Detroit Future City* would sit on the shelf gathering dust like so many previous documents in Detroit seem unfounded. With Kresge's financial backing and leadership,

A garden grows amid the abandoned Victorian mansions of Brush Park. Credit: Melissa Farlow/National Geographic Creative

the Detroit Future City (DFC) Implementation Office was established as a nonprofit charged with realizing the plan's visions and suggestions. Dan Kinkead, an architect who helped to write *Detroit Future City*, was appointed director of projects. The group now has a fixed location in Detroit's New Center district and a staff of about 12, including staffers available through various fellowship programs underway in the city. Kenneth Cockrel, a former president of the Detroit City Council who briefly served as interim mayor after then-Mayor Kwame Kilpatrick resigned in disgrace in 2008, was hired at the end of 2013 to be director of the implementation office.

In early 2015, the implementation office had multiple pilot projects underway in partnership with other organizations. These include:

**Solar Fields.** Working with Focus: HOPE, a nonprofit job training facility in the city, and a small start-up, the DFC team is planning to cover some 15 acres of vacant land with solar panels. Kinkead estimates that the field could produce five megawatts of energy—enough to power several hundred houses. Planners hope to start the project this year or next, but it was unclear how many people it might employ.

**Rainwater Retention Ponds.** On Detroit's east side, the DFC staff is considering the creation of a series of rainwater retention ponds in a residential neighborhood to keep rainwater out of the sewer system. The neighborhood, known as Jefferson Village, had been targeted for new single-family housing some 15 years ago, but that project stalled for lack of funding, leaving dozens of vacant lots and little demand for them. So with funding from the local Erb Foundation, and consulting with the Detroit Water & Sewerage Department, the DFC team is targeting several dozen vacant lots for the treatment. They envision that nearby homeowners could see a rate reduction on their water bills, because the department will no longer have to build and maintain as much big-pipe infrastructure to clean up rainwater that mixes in with wastewater. If the effort proved successful, they would expand it citywide.

"Residents began to understand that they were effectively subsidizing the sprawl and disinvestment, and they began to think about ways to change these systems to be more efficient."

**Roadside carbon buffers.** With the nonprofit Greening of Detroit tree-planting organization, one of DFC's recommendations—to plant trees as carbon buffers alongside major roads and highways—saw one of the city's largest-ever tree-planting blitzes in late 2014 on Detroit's west side near the Southfield Freeway, a major north-south connector. Volunteers planted some 300 trees in one day along a few blocks. When mature, they will absorb at least some of the carbon emissions from the freeway.

Trish Hubbell, a spokesperson for the Greening of Detroit, said that partnering with the DFC implementation team on such efforts raises the visibility of each project, which in turn helps with fundraising. And the DFC team brings a wealth of knowledge on land use issues to any effort.

"Their biggest value is that they have the framework, and so they help steer where things go," Hubbell said. "The framework adds value to all the opportunities out there."

### THE URBAN FARMING CONTROVERSY

One controversial land use the office has championed stems from a trend Detroit is already well-known for—urban agriculture. Over the past 15 years, Detroit has seen well over 1,000 small community gardens started, including such nationally recognized projects as Earthworks and D-Town Farm, each of which covers a few acres. But currently volunteers perform almost all the farming activity, and the food is consumed by neighbors, donated to food banks, or in a few cases sold at local farmers markets. Detroit has undertaken a lively debate in recent years over the possibility of expanding into large-scale for-profit agriculture. Projects like Hantz Farms and RecoveryPark have mapped ambitious plans to convert hundreds of acres to food production. But each effort remains relatively small scale at the moment, as the debate on the wisdom of large-scale farming continues.

Nevertheless, the DFC team seems committed to much greater food production inside the city, both on vacant land and in abandoned factories where hydroponic farming could take place. The DFC team, for example, is working with the RecoveryPark effort to plan a rainwater retention system to help water crops.

At the very least, farming inside the city could help some local food entrepreneurs grow their businesses, create some jobs, and strengthen the tax base, if only on a modest scale. Food production also helps knit communities together around a purposeful activity, raises nutrition awareness, and puts blighted vacant lots and factories to a productive new use. "Detroit has the opportunity to be the first globally food-secure city," Kinkead said.

But city officials have yet to sign off on large-scale for-profit farming, fearing that nuisance problems including dust, noise, and odors, will get out of hand. Others question whether the tough economics of farming—back-breaking labor performed mostly by minimum-wage migrants—would ever produce the sort of revenue and jobs to justify the effort. McCarthy remains one of the skeptics. "I thought it was a bad idea to try to grow food," he says. "The economics just aren't there; the costs are prohibitive, given the fact that you don't have to drive that far to get out into perfectly good farmland outside Detroit at one tenth the cost." So the debate continues, with the DFC implementation team working toward greater use of Detroit's vacant land for food production.

Perhaps *Detroit Future City*'s most important contribution has been to empower neighborhoods and citizens as equal partners with high-level professional planners in deciding the future direction of the city.

A mural in the Brightmoor neighborhood, near Detroit's northwestern border. Credit: David Lewinski

## Consensus Building

Rather than ignoring *Detroit Future City* as the product of a previous administration, Mayor Duggan has publicly embraced it as his guide. His top aide for jobs and the economy refers to his well-worn copy of *Detroit Future City* as his "Bible" for reshaping the city.

Jean Redfield, CEO of NextEnergy, a Detroit nonprofit working toward a sustainable energy future for the city, keeps a copy of *Detroit Future City* on her desk. "I use it a lot to go back to specific language they use to talk about specific options," she said. "I use some of the maps and statistics pretty regularly." And NextEnergy teams up with the DFC implementation team in planning a variety of green-and-blue infrastructure projects. "Our paths cross pretty often," she said. "Whenever there's a Department of Energy or City of Detroit question or challenge around land use, energy infrastructure, street lighting, or solar projects, we're often working side by side with the folks there."

As mentioned, the implementation team acts more as a lead advisor to other agencies, such as Greening of Detroit or the city's Water & Sewerage Department, than as a primary actor. DFC Implementation Director Kenneth Cockrel calls the team a "nongovernmental planning agency." He explains, "We inform decision making, but we are not decisions makers. Ultimately, what's in the framework is going to be implemented by the mayor and by city council if they so choose to buy into it. They're the ones who are going to drive implementation."

Continuing, Cockrel likens the implementation of *Detroit Future City* "to what happens when a book gets made into a movie. You don't film the book word for word and page for page. Some stuff gets left out, other stuff winds up on screen. I think that's ultimately probably going to be the approach that the Duggan administration will take."

Like any new organization, the DFC team continues to refine its role and search for where it can contribute most. Kinkead agrees their role may best be captured in a paraphrase of the old BASF corporate slogan: the DFC team doesn't do a lot of the innovative projects in Detroit; it just makes a lot of those projects better.

"We exist in a squishy world," Kinkead says. "It's a different kind of ballgame, but our ability to help others is how we do what we do."

In early 2015, it seemed clear that many of the innovative ideas at the heart of *Detroit Future City*—greening strategies, energy production, trees as carbon buffers, new development targeted toward already dense districts—ideas that seemed far-fetched even in 2010, when then-Mayor Bing launched his Detroit Works effort, now approach mainstream status.

"Now, it's not just the environmentalists or the climate change folk talking about carbon forests; it's residents and the executive directors of community development corporations," Griffin says. "Business leaders and philanthropists are talking about the importance of this. A broader spectrum of constituents talking about issues that aren't necessarily central to their wheelhouse is a very important outcome of the work."

Perhaps just as important is the widespread realization that Detroit needs to deliver municipal services in a different way, given the realities of the city's financial woes and population loss. The city successfully emerged from bankruptcy in late 2014, but at best that gave Detroit some breathing room to begin to grow again. If and when growth resumes, the city has to guide it more smartly than in past periods of expansion, when development sprawled across the landscape in haphazard fashion.

## The Road Ahead

One reason why the city and its people were ready for a document like *Detroit Future City* was the deep understanding that deindustrialization and suburban sprawl had led to Detroit's problems. "Residents began to understand that they were effectively subsidizing the sprawl and disinvestment. They began to think about ways to change these systems to be more efficient," Griffin says.

As this article was being prepared for publication, Detroit took another big step toward revitalizing its long-dormant planning activities. Mayor Duggan announced that he had recruited Maurice Cox—the highly regarded director of the Tulane City Center, a community-based design resource center for New Orleans, and associate dean for Community Engagement at the Tulane University School of Architecture—to serve as Detroit's new director of planning. In New Orleans, Cox facilitates a wide range of partnerships among Tulane University, the New Orleans Redevelopment Authority, and the City of New Orleans. In Detroit, among other activities, he will help turn some of *Detroit Future City*'s general framework into specific planning recommendations.

If innovative planning is back in style, as it appears to be, it's more decentralized, less focused on big projects, and more attuned to how conditions on the ground might demand different solutions in each neighborhood. And the number of voices heard in planning discussions is greater than ever before. Perhaps *Detroit Future City*'s final and most important contribution is that it has empowered neighborhoods and citizens as equal partners with high-level professional planners in deciding the future direction of the city.

Indeed, *Detroit Future City* launched a new age of planning, and it will look little or nothing like that of Blessing's era. "Planning has certainly returned, but it's fundamentally different from how it was 50 years ago," says Kinkead. "In the 1950s and '60s, the city's broader planning objectives were often manifest from a single municipal government elite."

"To move the city forward it takes everybody," Kinkead says. "It's not just *Detroit Future City*. It's not just the government. It's not just the business sector. It's everybody working together." L

**John Gallagher** covers urban development issues for the *Detroit Free Press*. His books *Reimagining Detroit: Opportunities for Redefining an American City* and *Revolution Detroit: Strategies for Urban Reinvention* are available from Wayne State University Press. He can be reached at gallagher99@freepress.com.

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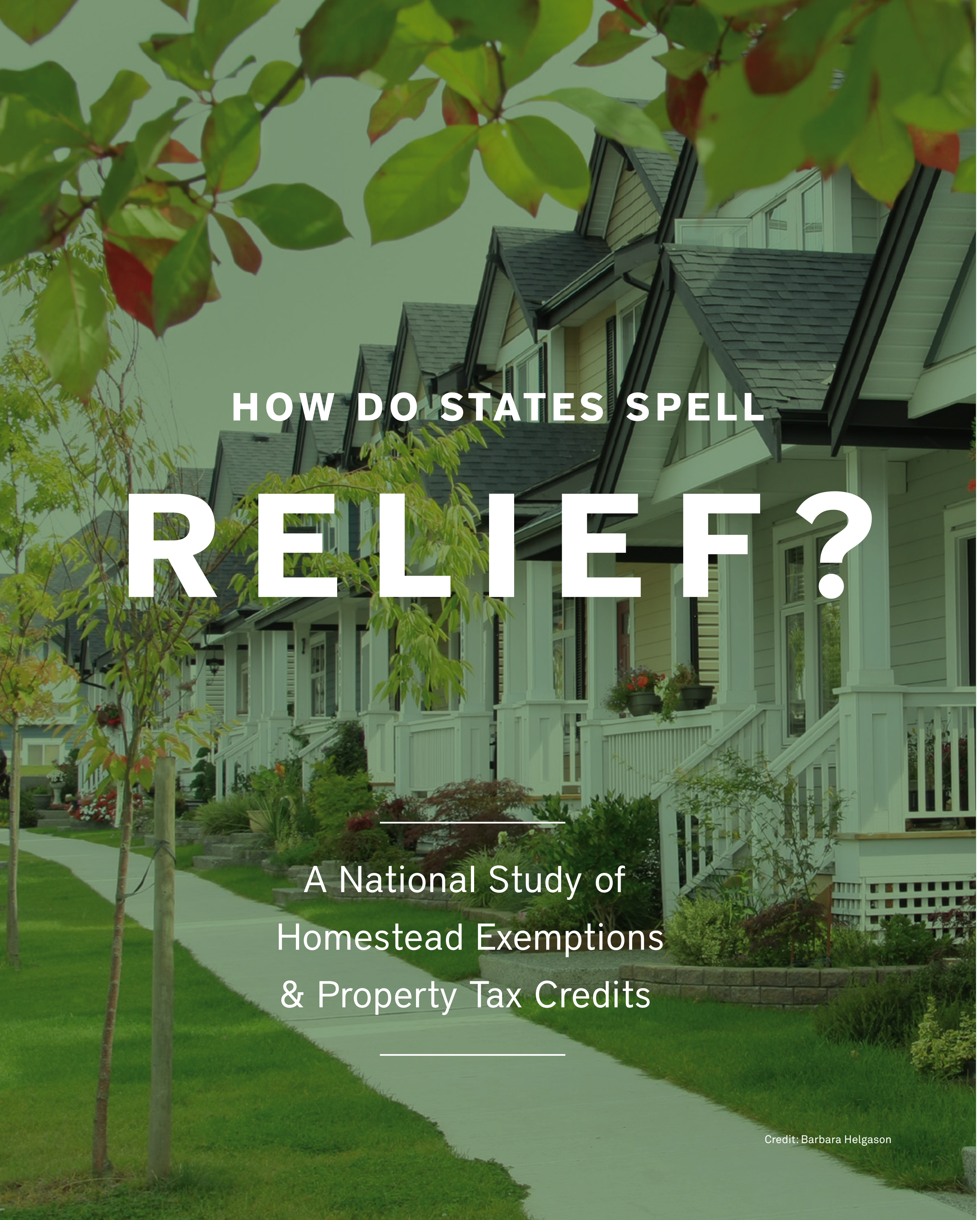


# HOW DO STATES SPELL RELIEF?

## A National Study of Homestead Exemptions & Property Tax Credits

Credit: Barbara Helgason

*By Adam H. Langley*

**THE PROPERTY TAX IS THE MOST WIDELY UNPOPULAR TAX IN AMERICA.** States have responded to this public opposition by enacting a range of tax relief policies, especially for homeowners (Cabral and Hoxby 2012). Among the most commonly adopted programs are homestead exemptions and property tax credits; all but three states have at least one of these programs. But despite their broad use and their potentially large impact on the distribution of property tax burdens, there has been remarkably little data available on the tax savings generated by property tax exemptions and credits.

Two new resources, available through the Lincoln Institute's Significant Features of the Property Tax subcenter, begin to fill this need. These tables provide information for each state on the share of homeowners eligible for these programs and the level of tax savings they receive, as well as an analysis of how eligibility and benefits vary across the income distribution (see box 1, p. 26). This article draws on these resources to provide the first national study of property tax exemptions and credits with estimates of tax savings from these programs. With this information, policy makers have a critical tool to evaluate and improve the effectiveness of their property tax relief programs.

## How Property Tax Exemptions and Credits Work

Property tax relief programs come in a variety of forms. Homestead exemptions reduce the amount of *property value* subject to taxation, either by a fixed dollar amount or by a percentage of home value. Property tax credits, in contrast, directly reduce the homeowner's *tax bill* by a fixed dollar amount or certain percentage.

As table 1 illustrates, programs designed to provide identical benefits to owners of $200,000 homes have widely different impacts on homeowners with higher- and lower-valued properties.

TABLE 1
PROPERTY TAX RELIEF UNDER SAMPLE SCENARIOS (TAX RATE = 1%)

| | $100,000 HOME | $200,000 HOME | $400,000 HOME |
|---|---|---|---|
| TAX ($) BEFORE EXEMPTION OR CREDIT | 1,000 | 2,000 | 4,000 |
| **FLAT DOLLAR EXEMPTION** (EX: $20,000) | | | |
| TAXABLE VALUE ($) AFTER EXEMPTION | 80,000 | 180,000 | 380,000 |
| TAX ($) AFTER EXEMPTION | 800 | 1,800 | 3,800 |
| DOLLAR SAVINGS ($) | 200 | 200 | 200 |
| PERCENT SAVINGS (%) | 20 | 10 | 5 |
| **PERCENTAGE EXEMPTION** (EX: 10%) | | | |
| TAXABLE VALUE ($) AFTER EXEMPTION | 90,000 | 180,000 | 360,000 |
| TAX ($) AFTER EXEMPTION | 900 | 1,800 | 3,600 |
| DOLLAR SAVINGS ($) | 100 | 200 | 400 |
| PERCENT SAVINGS (%) | 10 | 10 | 10 |
| **FLAT DOLLAR CREDIT** (EX: $200) | | | |
| TAX ($) AFTER CREDIT | 800 | 1,800 | 3,800 |
| DOLLAR SAVINGS ($) | 200 | 200 | 200 |
| PERCENT SAVINGS (%) | 20 | 10 | 5 |
| **PERCENTAGE CREDIT** (EX: 10%) | | | |
| TAX ($) AFTER CREDIT | 900 | 1,800 | 3,600 |
| DOLLAR SAVINGS ($) | 100 | 200 | 400 |
| PERCENT SAVINGS (%) | 10 | 10 | 10 |

Source: Author's example

Given a 1% tax rate, a $20,000 **flat dollar exemption** reduces property taxes for each homeowner by $200 ($20,000 x 1%). This program has a progressive impact on the property tax distribution because lower-income households tend to have less valuable homes, and the exemption represents a larger share of their home values.

BOX 1

## STATE-BY-STATE DETAILS ON PROPERTY TAX EXEMPTIONS AND CREDITS

The Significant Features of the Property Tax subcenter provides three key resources with information on property tax exemptions and credits in all 50 states; it is accessible at *www.lincolninst.edu/subcenters/significant-features-property-tax*.

### TAX SAVINGS FROM PROPERTY TAX EXEMPTIONS AND CREDITS

This online Excel file includes estimates of tax savings from programs in individual states (see abbreviated example below), plus overview tables that make it easy to compare across states. For each program, the file provides estimates of the number of eligible homeowners and the median benefit, as well as a distributional analysis by income quintile. This is the first time that detailed data are available for most of these programs.

### SUMMARY TABLE ON EXEMPTIONS AND CREDITS

This online Excel file includes a set of tables for 167 programs displaying the value of exemptions expressed in terms of market value; criteria related to age, disability, income, and veteran status; the type of taxes affected (i.e., school or county taxes); whether the tax loss is borne by state or local governments; local options; and more. The summary table makes it easy to conduct quantitative analysis of these programs or make quick state-by-state comparisons. The information in these tables was used to generate the tax savings estimates.

### RESIDENTIAL PROPERTY TAX RELIEF

This section of the Significant Features website includes detailed descriptions of property tax exemptions and credits, which were used to create the online Summary Table on Exemptions and Credits. It also describes other types of property tax relief, such as circuit breakers and tax deferral programs.

### OVERVIEW OF PROPERTY TAX EXEMPTION AND CREDIT PROGRAMS IN OHIO (2012)

| PROGRAM | TOTAL TAX SAVINGS ($ MILLIONS) | OWNERS ELIGIBLE (%) | HOUSEHOLDS ELIGIBLE (%) | MEDIAN BENEFIT | |
|---|---|---|---|---|---|
| | | | | SAVINGS ($) | SAVINGS (%) |
| **SENIOR & DISABLED PROPERTY TAX HOMESTEAD EXEMPTION** | 392.3 | 29.3 | 19.9 | 447 | 20.8 |
| SENIOR | 378.3 | 28.2 | 19.1 | 447 | 20.8 |
| DISABLED | 22.1 | 1.7 | 1.2 | 447 | 31.3 |
| **2.5% ROLLBACK** | 221.9 | 100 | 67.8 | 58 | 2.5 |
| **10% ROLLBACK** | 887.5 | 100 | 67.8 | 232 | 10.0 |
| **ALL PROGRAMS** | **1,499.8** | **100** | **67.8** | **402** | **12.5** |

### DISTRIBUTIONAL ANALYSIS OF PROPERTY TAX EXEMPTION AND CREDIT PROGRAMS IN OHIO (2012)

**% REDUCTION IN TAX BILL** FOR ELIGIBLE HOUSEHOLDS (MEDIAN)

| INCOME QUINTILE | LOWEST 20% | 2ND | MIDDLE 20% | 4TH | HIGHEST 20% |
|---|---|---|---|---|---|
| **SENIOR & DISABLED PROPERTY TAX HOMESTEAD EXEMPTION** | 29.4 | 25.0 | 20.8 | 17.9 | 13.2 |
| SENIOR | 27.8 | 25.0 | 20.8 | 17.2 | 12.8 |
| DISABLED | 50.0 | 31.3 | 25.0 | 22.7 | 16.7 |
| **2.5% ROLLBACK** | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| **10% ROLLBACK** | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| **ALL PROGRAMS** | **22.5** | **12.5** | **12.5** | **12.5** | **12.5** |
| **UPPER LIMIT TO INCOME QUINTILE IN STATE** | $17,743 | $34,435 | $55,000 | $88,112 | N/A |

Notes: Total tax savings from the Senior and Disabled Property Tax Homestead Exemption ($392M) is less than the combined total of the programs for Seniors ($378M) and the Disabled ($22M), because homeowners who are 65+ and disabled cannot claim the exemption twice. The online Summary Table shows that the Senior and Disabled Exemption is a $25,000 exemption for homeowners who are 65+ or disabled; the two Rollback programs are percentage exemptions of 2.5% and 10% for all owner-occupied residences. Source: Lincoln Institute of Land Policy (2015).

In this case, the $20,000 exemption reduces property taxes by 20% on the $100,000 home, 10% on the $200,000 home, and 5% on the $400,000 home.

A **percentage exemption**, in contrast, provides the same percentage reduction in taxes for all three homeowners—in this example, 10%. In dollar terms, however, percentage exemptions favor owners with higher-valued homes: a 10% across-the-board reduction lowers property taxes by only $100 on the $100,000 home but $400 on the $400,000 home.

In the case of **flat dollar credits**, homeowners with lower-valued homes usually receive the largest tax cuts in percentage terms. In contrast, the **percentage tax credit** again provides the owner of the $400,000 home the largest tax cut in dollar terms.

An important feature of property tax exemptions and percentage credits is that the dollar reduction (but not the percentage reduction) in taxes increases with tax rates. For instance, if the homes in table 1 were subject to a 2% tax rate, the dollar savings to their owners would double under the $20,000 exemption, 10% exemption, and 10% credit. While the dollar savings from flat dollar credits do not vary with tax rates, the percentage savings to homeowners decrease as tax rates rise.

## Critical Features of Exemptions and Credits

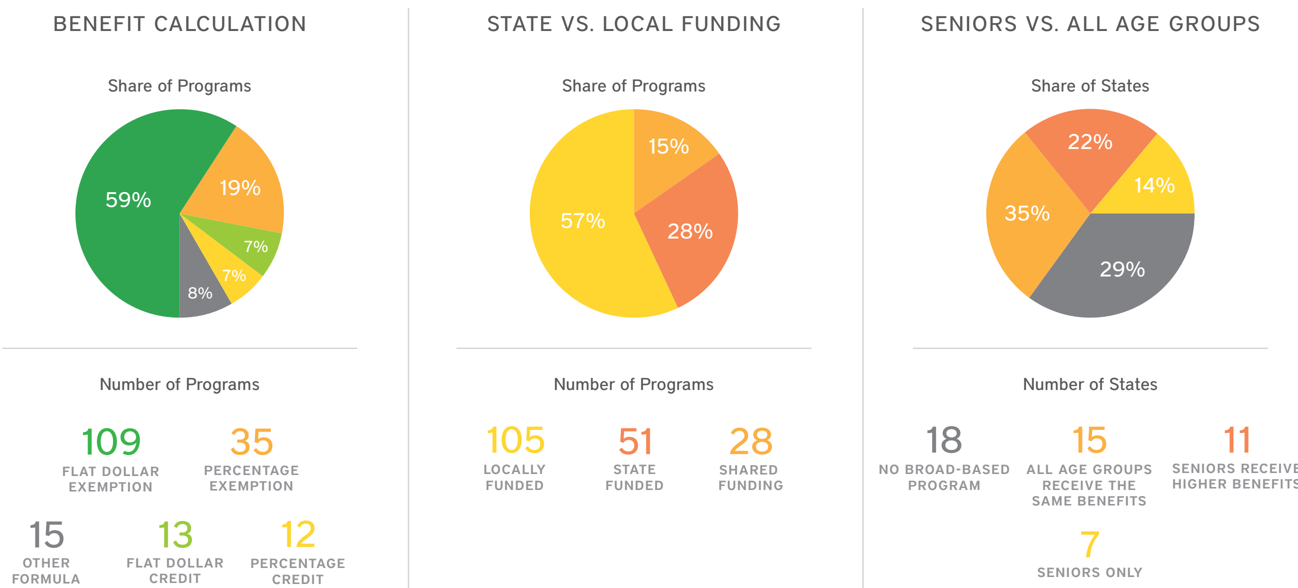
The design of homestead exemption and property tax credit programs varies significantly across the 50 states. Figure 1 (p. 28) summarizes the number and share of state programs with the following key characteristics.

**BENEFIT CALCULATION** Perhaps the most important feature of property tax relief programs is how benefits are calculated. In 2012, 59% of state programs provided flat dollar exemptions, 19% provided percentage exemptions, and the final fifth used property tax credits or other more complicated formulas to determine the amount of tax relief for each homeowner.

While the programs work in similar ways, their effects differ dramatically. As the examples in table 1 show, flat dollar exemptions and credits make the property tax distribution more progressive, while percentage exemptions and credits do not. As a result, to provide a certain level of tax relief for the median homeowner, percentage exemptions are more expensive than other programs because they result in larger property tax cuts for owners of higher-valued homes. Instead of changing the distribution of property taxes among homeowners, percentage exemptions are

FIGURE 1

KEY FEATURES OF STATE PROPERTY TAX EXEMPTION AND CREDIT PROGRAMS (2012)




Source: Author's analysis of data from Lincoln Institute of Land Policy (2014).

primarily a way to shift the tax burden away from homeowners as a group to businesses, renters, and owners of second homes.

STATE VS. LOCAL FUNDING The ultimate impact of exemptions and credits on property tax bills depends on how the programs are funded. Figure 1 shows that in 2012 only 28% of these programs included full state reimbursement to cover local revenue losses, while 57% had local governments bear revenue losses on their own. For 15% of programs, state and local governments shared the revenue loss in some way. (Broad-based programs for all homeowners or all seniors are more likely to receive state funding than programs for smaller groups such as veterans or the disabled. In 2012, 43% of tax relief programs for all homeowners or seniors were state-funded, 48% were locally-funded, and the rest split the revenue loss [Lincoln Institute of Land Policy 2014].)

The primary argument in favor of state funding of property tax exemptions and credits is that it can help mitigate disparities in property wealth across localities. Poorer communities and those without a significant business tax base typically have higher property tax rates, and these communities receive more funds per homeowner under state-funded programs. Without this assistance, communities with higher tax rates will experience larger revenue losses from tax relief programs unless they increase tax rates even further.

SENIORS VS. ALL AGE GROUPS A number of states provide property tax relief for seniors. In 2012, more than a third favored seniors in some way: seven had statewide programs solely for this group, while 11 also covered younger homeowners but provided higher benefits for older homeowners. Other states provided either the same level of benefits for homeowners of all ages (15 states) or did not have broad-based programs (18 states).

Common arguments for targeting senior homeowners is that property taxes account for a larger share of their incomes, and local governments spend less on seniors than on younger homeowners with school-aged children. While it is true that property taxes account for a larger share of income for seniors than for working-age homeowners, the two groups devote nearly identical shares of their incomes to total housing costs because seniors are far less likely to have mortgages (Bowman et al. 2009, 11). In addition, property taxes are payments for public services, not user fees (Kenyon 2007, 36). Younger households without children in public schools do not benefit from property tax relief under these programs. The preferential tax treatment of seniors may simply reflect the fact that older households are a politically powerful group that votes in high numbers.

## Estimating the Benefits of Exemptions and Credits

To estimate tax savings from homestead exemptions and property tax credits, the first step was to create the online Summary Table on Exemptions and Credits, which describes the key features of each program (see box 1 for description). These data draw almost entirely from the Residential Property Tax Relief Programs section of the Lincoln Institute's Significant Features of the Property Tax database.

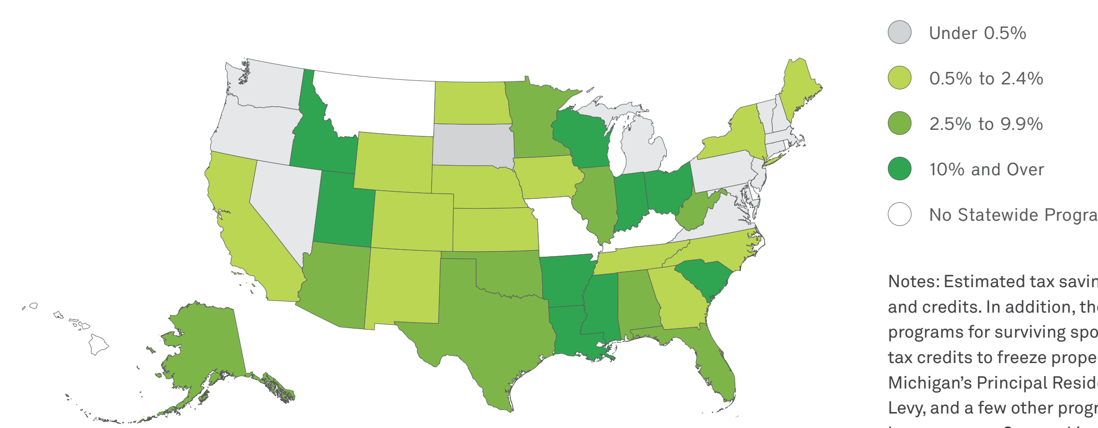
The second step was to combine this information with household-level data from the 2008–2012 American Community Survey (ACS). This nationally representative survey has data on more than 6.5 million U.S. households, including the household characteristics that determine program eligibility (age, income, disability, veteran status, etc.) and level of benefits received (home values and property tax bills). For a full explanation of the methodology used to estimate tax savings from exemptions and credits, see Langley (2015).

It is important to note that the estimates reported here are gross property tax savings. Tax relief programs often lead to higher property tax rates, especially under locally-funded programs where jurisdictions raise tax rates to offset the drop in the tax base from the exemptions. Estimates of net property tax savings would be lower in those communities, because the higher tax rates offset some of the direct tax relief provided from exemptions and credits.

Figure 2 shows that total property tax relief from homestead exemptions and property tax credits varies widely across states, but is generally small relative to total property tax revenues. In 14 of the 45 states with these programs, total savings are less than 0.5% of property tax revenues; in 27 states, the savings are less than 2.5%. At the same time, though, tax savings in nine states equal or exceed 10% of total property tax revenues. Indiana's program is particularly generous, offering all homeowners a $45,000 exemption, then an additional 35% exemption for the first $600,000 in assessed value and a 25% exemption for value above $600,000.

FIGURE 2

TOTAL TAX SAVINGS FROM PROPERTY TAX EXEMPTIONS AND CREDITS AS A PERCENT OF TOTAL PROPERTY TAX REVENUES IN STATE (2012)




Notes: Estimated tax savings exclude local option exemptions and credits. In addition, the ACS cannot be used to analyze programs for surviving spouses, programs that use property tax credits to freeze property taxes for seniors (IN, NJ, TX), Michigan's Principal Residence Exemption for Local School Levy, and a few other programs for small groups of homeowners. Source: Lincoln Institute of Land Policy (2015).

## Tax Savings for Different Types of Programs

Most states have more than one property tax exemption or credit program, with different programs targeting different groups of taxpayers—typically all homeowners, seniors, veterans, or the disabled. Figure 3 presents estimates on the share of homeowners eligible for these programs, along with the level of tax savings they receive.

HOMEOWNERS Programs in 26 states are for nearly all homeowners, but usually limited to owner-occupied primary residences. In the typical state with these programs, the median homeowner receives a 12.5% cut in property taxes. On the high end, however, the median property tax cut was at least 25% in more than a quarter of states with these programs.

SENIORS Property tax relief programs in 18 states target older homeowners (typically at least age 65). These programs are much more generous than those covering all homeowners, with a median tax reduction of nearly 30% in the typical state. More than half of these programs provide a median tax cut of at least 25%, while only a sixth of them provide a median tax savings of less than 10%.

In the median state, 19.6% of homeowners are eligible for the programs, but eligibility rates vary greatly across states depending on whether there is an income ceiling. In the seven states that provide property tax relief to seniors regardless of income, 25–30% of homeowners are typically eligible. But in seven states with low income cutoffs ($10,000 to $30,000), only 5–10% of homeowners qualify. The other four states with property tax relief programs for seniors do not fit neatly into these two categories because they have higher income ceilings, strict wealth limits, or other eligibility criteria.

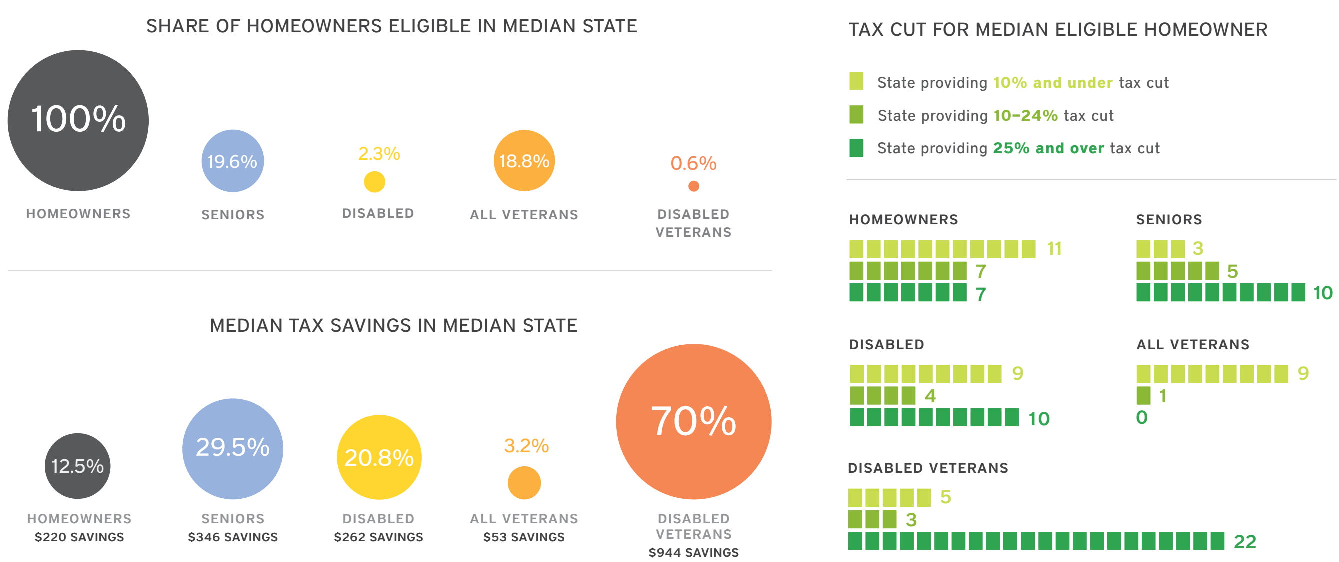
VETERANS State programs for veterans are more common than for any other group of homeowners, although eligibility is often limited to those who are disabled. Indeed, only 10 states provide property tax exemptions or credits for all veterans, even those without disabilities. In the median state with these programs, the typical beneficiary receives a property tax cut of just 3.2%.

There are 31 states that provide property tax exemptions or credits to veterans with service-connected disabilities. Because of the disability requirement, most veterans are ineligible for the programs. Indeed, only 15% of veterans qualify in the typical state. Overall, just 0.6% of homeowners are eligible for these programs in the median state.

Moreover, most of the 31 programs base eligibility and benefit levels on disability ratings from the Department of Veterans Affairs. Just seven states have programs for all partially disabled veterans, and veterans with lower disability ratings typically receive modest tax savings. On the other hand, 18 states restrict eligibility to veterans who are permanently and totally disabled. These programs benefit a very small share of veterans, but they usually provide a full 100% exemption.

DISABLED Programs in 23 states cover disabled homeowners, but really target two distinct groups: disabled homeowners and blind homeowners. In 2012, 12 states had programs for disabled homeowners, seven states had programs for the blind, and five states covered both groups. Programs for the disabled typically require beneficiaries to be permanently and totally disabled, but exact criteria vary. In the median state, 2.3% of homeowners are eligible for these programs and they receive a median property tax cut of 21%.

FIGURE 3
ELIGIBILITY AND BENEFITS FOR FIVE TYPES OF PROGRAMS (2012)




Note: The number of states with programs for homeowners and disabled veterans shown in this figure does not match the count in the text because it is not possible to use ACS data to estimate tax savings for a few states.

Source: Lincoln Institute of Land Policy (2015).

## Conclusion

Homestead exemptions and property tax credits are an important part of the property tax system. These programs are used in nearly all states and can make the distribution of property taxes significantly more progressive. It is therefore critical that policymakers have good data on the property tax relief that these programs actually provide.

New research makes this information available for the first time. Using the Lincoln Institute's Significant Features of the Property Tax subcenter, policymakers can easily compare key features of property tax exemption and credit programs across states, and see estimates of eligibility and tax savings. These data make it possible to evaluate the impacts of property tax exemptions and credits in their particular states as well as find ideas for program improvements. L


**Adam H. Langley** is Senior Research Analyst at the Lincoln Institute of Land Policy.


Special thanks go to **Andrew Reschovsky,** who provided extensive comments on this article and other related papers.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**Laura Johnson** is an attorney and lifelong conservationist with more than 30 years of experience in non-profit management. She is currently director of the new International Land Conservation Network (ILCN), a visiting fellow at the Lincoln Institute of Land Policy, and chair of the Land Trust Alliance board of directors.

Laura was the president of Mass Audubon from 1999 to 2012. Prior, she worked for 16 years at The Nature Conservancy as a lawyer, Massachusetts state director, and vice president of the northeast region.

Laura received a B.A. in history from Harvard University and a J.D. from New York University Law School. From 2013 to 2014, she was a Bullard Fellow at the Harvard Forest, Harvard University, where she completed a study on private land conservation efforts around the world.

# Growing the International Land Conservation Network

LAND LINES: **Your program, the International Land Conservation Network (ILCN), is new this year, but it has some antecedents at the Lincoln Institute. Can you tell us about that history?**

LAURA JOHNSON: There are some wonderful connections between the new network and the Lincoln Institute's past support of the innovative, capacity-building effort devoted to conservation that eventually became the Land Trust Alliance.

In the early 1980s, Kingsbury Browne, a prominent Boston lawyer, decided to take some time away from his law firm, and he used a sabbatical at the Lincoln Institute to explore the needs and opportunities of private land trusts in the United States. Up until that point, there was no nationwide effort to seek out the best examples of land protection activities, to share those ideas and best practices, or even to keep track of what was happening in land conservation around the country. Kingsbury Browne's study led him, along with several other land trust leaders at the time, to start a new organization called the Land Trust Exchange, which connected the country's small but growing conservation community through a newsletter and some basic research and training activities. The Lincoln Institute played a crucial role in helping to launch the Exchange, which grew over the years and changed its name to become the Washington, DC–based Land Trust Alliance. There were fewer than 400 U.S. land trusts in 1982 when the Exchange got started; now the Land Trust Alliance serves 1,200 land trusts all over the United States. The Exchange started out with a modest newsletter in the 1980s; now the Alliance provides an online learning center, a full conservation and risk management curriculum, and more than 100 webinars and 300 workshops that served close to 2,000 people in 2014.

LL: **Throughout most of your career, you have been deeply engaged in U.S.-based land conservation work. What attracted you to expand your efforts on an international scale?**

LJ: When I stepped down from the presidency of Mass Audubon two years ago, I began talking with Jim Levitt, a fellow at the Lincoln Institute, the director of the Program on Conservation Innovation at the Harvard Forest, and a former Mass Audubon board member. It was initially his idea that I explore how conservationists outside the United States were using and adapting conservation tools that had been developed over the years here. Jim had become very involved in private conservation efforts in Chile, and there was an opportunity to strengthen the very new movement there by sharing U.S.-based measures such as conservation easements. At about the same time, Peter Stein received the Kingsbury Browne fellowship and award from the Land Trust Alliance and the Lincoln Institute, which allowed him to explore the breadth of worldwide conservation organizations as well. Through our different projects, Jim, Peter, and I came to the similar conclusion that many people around the globe shared a strong interest in connecting to each other and to U.S. conservationists. This desire for a community of practice seemed like a remarkable opportunity to help build capacity for privately protecting land.

LL: **Why is this role the right challenge at the right time for you?**

LJ: I have had the incredible good fortune to work with some great organizations and wonderfully talented people. As a young lawyer just starting out at The Nature Conservancy in the 1980s, I was able to grow professionally at a pivotal time for conservation in the United States. Looking at the historic trend lines, the U.S. land conservation movement took off then, and it was very exciting to be a part of that growth. Then when I went to Mass Audubon in 1999, I was able to run the nation's largest independent state Audubon organization, which provided leadership not just with land conservation, but with environmental education and public policy as well. Now, I have the honor of serving on the board of the Land Trust Alliance, which does such remarkable work here in the United States to enable effective land and resource protection. Along the way, my legal training was certainly useful, but I have also learned a tremendous amount about what makes organizations successful and likely to have a positive impact. I feel very fortunate to have this background and set of experiences, and I want to bring it to bear on the issues facing the international land conservation community.

Many people around the globe shared a strong interest in connecting to each other and to U.S. conservationists. This desire for a community of practice seemed like a remarkable opportunity to help build capacity for privately protecting land.

LL: **You've mentioned capacity building and creating successful organizations a few times. Can you comment on what that means in the context of land conservation?**

LJ: Land conservation organizations need all the elements of any sound nonprofit organization—a clear mission, a compelling vision and strategy, disciplined planning and clear goals, sufficient financial resources, and great people. But working on land protection requires a very long-term outlook. To start with, a land trust needs to have the knowledge and resources to assess what land should be protected—whether the mission is to conserve natural resources or scenic, cultural, or historic values—and what legal and financial tools are best suited to achieving a good outcome. Then it can take years of working with a landowner to get to a point where everyone is ready to agree on a deal. Land trusts need to have people with the training, knowledge, and experience to carry out transactions that are legally, financially, and ethically sound. Once land is protected by a trust, that organization is making a commitment to manage the land it owns or has restrictions on forever. Museums are a good analogy, but instead of Rembrandts and Picassos, land conservation organizations are stewards of invaluable living resources, and the land and water we all depend on to survive.

**LL: Why is private land conservation particularly important now? Why do we need an international network?**
LJ: We are at a critical juncture as the pressures of climate change, land conversion, and shrinking government resources are making it more challenging than ever to protect land and water for the public benefit. Therefore the mission statement of the new International Land Conservation Network emphasizes connecting organizations and people around the world that are accelerating voluntary private action that protects and stewards land and water resources. Our premise is that building capacity and empowering voluntary private land conservation will strengthen the global land conservation movement and lead to more long-lasting and effective resource protection.

Support for better coordination of international private land conservation is emerging from many sources. For example, the International Union for the Conservation of Nature (IUCN) considered the role of private land conservation in the context of global efforts at its November 2014 World Parks Congress held in Sydney, Australia. *The Futures of Privately Protected Areas*, an IUCN-commissioned report released at that conference, provided a number of recommendations, such as developing relevant training and improving knowledge sharing and information, which are certainly important goals for the new network. We expect to work in collaboration with partners such as the IUCN, and with the existing regional or countrywide networks that are already in existence. And of course we have the very powerful example of the Land Trust Alliance and what it has been able to accomplish over 30 years to build the capacity of land trusts in the United States.

**LL: What will you try to accomplish in the first year to address these needs?**
LJ: We've had to get ourselves organized and deal with basic issues such as our name, visual identity, mission statement, goals, and governance structure. We will be designing and launching a website to serve as the essential repository of case studies, research, best practices, events, and conferences. Eventually, we want to have a continuum of learning available on the website through tools like webinars that address a range of subjects, from legal instruments to organizational best practices. We also want to carry out a census of existing networks and active organizations, to start building a baseline of knowledge about private land protection that will help measure progress over time.

**LL: What are the greatest challenges to starting the network?**
LJ: There are many. Money is a big one, of course. We've received a generous start-up grant from the Packard Foundation, and we have great support from the Lincoln Institute. But we are working hard to identify additional sources of funding, in order to grow the network and increase its impact. And of course we are still proving that the network will provide useful, important, and actionable information and training to meet a tremendous variety of needs within the international land conservation community. We know that we can't do everything, so we must be strategic and choose activities that will have impact. The global scale also presents a host of cultural and logistical challenges, requiring us to navigate different legal systems, languages, customs, and, last but not least, time zones.

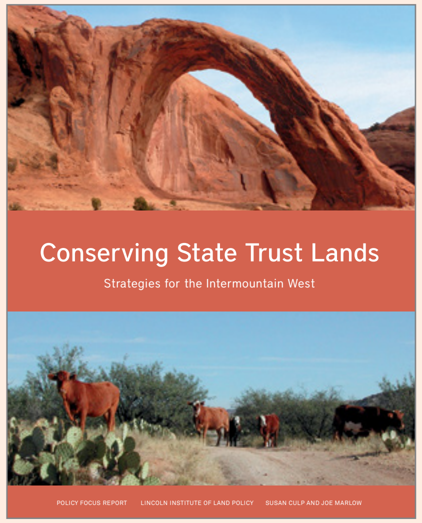
On the positive side, we already have a very committed group of land conservation practitioners who came together at our organizing meeting in September 2014 and enthusiastically signed on to be the "sweat equity"—to provide the network with knowledge, expertise, experience, and wise counsel. It's already very clear to me that this is a wonderful group of colleagues who are doing interesting and important work around the globe. It will be an adventure—and I know I'll learn a lot—to grow this new network together. L



NEW LINCOLN INSTITUTE POLICY FOCUS REPORT

## Conserving State Trust Lands
### *Strategies for the Intermountain West*

*By Susan Culp and Joe Marlow*

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**U.S. STATES ARE OBLIGATED TO GENERATE INCOME FROM STATE TRUST LANDS**, which Congress granted to each state upon its inception for the purpose of supporting public institutions, primarily K–12 public schools. Eighty-five percent of the remaining 46 million acres of these lands are concentrated in the Intermountain West. Historically, mining, grazing, agriculture, and logging provided the most income, but this new Policy Focus Report shows how conservation can be an equally robust revenue source.

*Conserving State Trust Lands*, available in print and by free download, explores current and recommended strategies to conserve state trust lands with ecological and environmental value, while maintaining the trust obligation to earn revenue for K–12 schools and other beneficiaries.

State trust land management agencies are poised to make better use of conservation mechanisms including conservation sales and leases through easements or outright fee-simple purchases, ecosystems services markets, and land tenure and exchange. According to Stephanie Sklar, CEO of the Sonoran Institute, "Revenue generation and land conservation are frequently viewed as being at odds; however, this latest report delves into how conservation of trust lands can be compatible with the trust responsibility of revenue generation."

The Lincoln Institute's first Policy Focus Report on state trust lands, *State Trust Lands in the West: Fiduciary Duty in a Changing Landscape* (2006), and a companion website, State Trust Lands, served as a primer on the issue: how much land each state holds in trust; what type of revenue-generating activities are conducted on trust lands; who the beneficiaries are; and how much annual revenue is generated and distributed to the beneficiaries.

Building on that work, authors Culp and Marlow evaluate the pros and cons of the conservation mechanisms that are currently available to state trust land management agencies, including conservation sales and leases through easements or outright fee-simple purchases, contributory value and nonmonetary value, ecosystems services markets, and land tenure and exchange. They also offer recommendations for new methods to realize revenue from conservation activity. Key recommendations are to:

- expand the use of conservation sales and leases;
- improve the utility of contributory value in the master planning process;
- increase access to ecosystem services markets; and
- streamline the land tenure adjustment process, which includes reform of the appraisal process.

Monetizing conservation will provide opportunities for land management agencies to pursue conservation options. All state trusts carry the mandate to fund beneficiaries in perpetuity, indicating the need for sustainable land management practices.

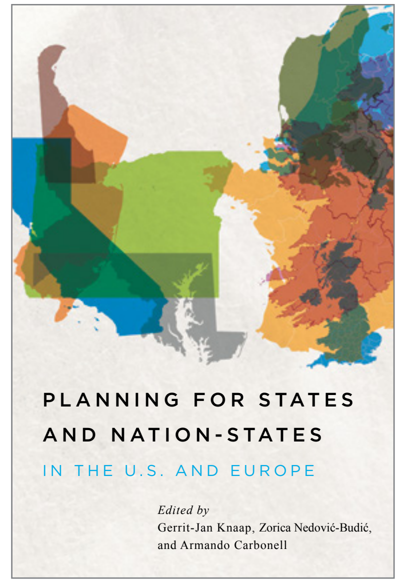
**Susan Culp** is currently principal at Next West Consulting, LLC, providing guidance and support in western environmental and regional planning policy, with a focus on climate adaptation; public land management; and energy, transportation, water, and conservation infrastructure. Previously Susan was a project manager for Western Lands and Communities, a joint program of the Lincoln Institute of Land Policy and the Sonoran Institute.

**Joe Marlow** is the Sonoran Institute's senior economist and has been working there since 2007.

NEW LINCOLN INSTITUTE BOOK

# Planning for States and Nation-States in the U.S. and Europe

*Edited by Gerrit-Jan Knaap, Zorica Nedović-Budić, and Armando Carbonell*

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**PLANNING AT THE STATE AND NATIONAL LEVEL LEADS TO MORE EFFICIENT INVESTMENTS IN INFRASTRUCTURE,** better resilience in the face of climate change, and greater equity in economic development. But planning is taking place at lower levels of government in the United States and Europe, according to this new book published by the Lincoln Institute.

*Planning for States and Nation-States*, edited by Gerrit-Jan Knaap, Zorica Nedović-Budić, and Armando Carbonell, examines the role of the U.S. federal government and the European Union in planning, comparing land use and spatial planning structures in five U.S. states (Oregon, California, Delaware, Maryland, and New Jersey) and five western European nations (The Netherlands, Denmark, France, U.K., and Ireland).

> "In the U.S., where few states engage in planning and an aversion to national planning persists, the love affair with 'localism' handicaps our ability to deal with challenges like climate change, growing economic disparity, and inadequate infrastructure."

The case studies highlight innovative strategies adopted by states and nation-states to address global and local planning challenges in the 21st century. With exception, the conclusions suggest that the roles of nations, states, and nation-states have changed considerably over time, with a general trend toward the devolution of planning responsibilities to lower levels of government.

"In the U.S., where few states engage in planning and an aversion to national planning persists, the love affair with 'localism' handicaps our ability to deal with challenges like climate change, growing economic disparity, and inadequate infrastructure," said Armando Carbonell, senior fellow and chairman of the Department of Planning and Urban Form at the Lincoln Institute.

The fundamental challenges of building and sustaining human settlements have not changed significantly for centuries—shelter, sanitation, transportation, nutrition, social interaction, and economic production. The relative urgency of these challenges, however, has changed over time, as have the planning and public policy approaches to address them. Since the turn of the last century, climate change, economic development, social justice, and community revitalization have risen to the top of the planning agenda.

To address these issues, planners have conducted extensive research, developed and marshaled new technologies, and adopted a variety of new tools and policy instruments. In addition, planners and policy makers in some European nations and some U.S. states have significantly changed the relative roles of international organizations and national, state, regional, and local governments.

In the United States, during the first term of the Obama administration, the federal government launched several new initiatives to facilitate collaborative planning at the metropolitan scale. Beginning in the 1970s, some states strengthened and then loosened oversight of local planning, some assigned new responsibilities to regional governments, and still others prepared and adopted statewide development plans.

In Europe, changes in the roles of governments have been more dramatic and widespread, beginning with the creation of the European Union (EU) and the emergence of pan-European planning frameworks. To foster unity and economic growth, the EU promulgated principles of spatial development for its member nations. Some European nations adopted national spatial development strategies, while others delegated more responsibilities to regional and local governments.

This book is based on a symposium by the Lincoln Institute of Land Policy; the School of Geography, Planning and Environmental Policy at University College, Dublin; and the National Center for Smart Growth Research and Education at the University of Maryland.

**Gerrit-Jan Knaap** is professor of urban studies and planning, director of the National Center for Smart Growth Research and Education, and associate dean for Research and Creative Activity at the University of Maryland's School of Architecture, Planning, and Preservation.

**Zorica Nedović- Budić** is professor of spatial planning in the School of Geography, Planning and Environmental Policy at University College Dublin, Ireland.

**Armando Carbonell** is senior fellow and chair of the Department of Planning and Urban Form at the Lincoln Institute of Land Policy.

CONTENTS

## Lincoln Lecture Series

*Lectures take place at Lincoln House, 113 Brattle Street, Cambridge, at 12 p.m. (lunch is provided). The programs are free, but registration is required at www.lincolninst.edu/news/lectures.asp.*

APRIL 7

### THE POWER OF DATA-DRIVEN DECISION MAKING

**Maggie McCullough**

Maggie McCullough, founder and president of PolicyMap, will give an overview of the PolicyMap application—the online data and mapping service of the Reinvestment Fund, with the largest library of place-based data on the web. She will showcase how cities such as Philadelphia are adopting PolicyMap as a platform for strategic planning, land bank activities, program development, impact assessment, grant writing, and public reporting.

MAY 5

### SURFACE TENSIONS: LARGE LANDSCAPE CONSERVATION AND THE FUTURE OF AMERICA'S RIVERS

**Scott Campbell**

Preserving the integrity of a resource that moves is inherently complex, especially when that resource is subject to vast sets of laws, regulations, and bureaucratic systems that have evolved over centuries to control its ownership, use, quality, and flow for an equally complex and varying number of users or agents. Join Scott Campbell as he explores the concepts, practices, and frameworks that conservation groups are using to protect and restore America's rivers. Campbell is the 2015 Lincoln Loeb Fellow at Harvard University's Graduate School of Design. Prior to his fellowship, Scott led conservation efforts at the Palmer Land Trust.

## Fellowships

### DAVID C. LINCOLN FELLOWS, 2014–2015

The David C. Lincoln Fellowships in Land Value Taxation (LVT) were established in 1999 to develop academic and professional interest in this topic through support for major research projects. The fellowship program honors David C. Lincoln, former chairman of the Lincoln Foundation and founding chairman of the Lincoln Institute, and his longstanding interest in LVT. The program encourages scholars and practitioners to undertake new work in the basic theory of LVT and its applications. These research projects add to the knowledge and understanding of LVT as a component of contemporary fiscal systems in countries throughout the world. The 2014–2015 DCL fellowships announced here constitute the fifteenth group to be awarded. This program is administered through the Lincoln Institute's Department of Valuation and Taxation.

**Alex Anas** *Professor of Economics, State University of New York at Buffalo*

**The Effects of Land Value Taxation in Los Angeles and Paris in a Computable General Equilibrium Model (Year 2)**

The RELU-TRAN (Regional Economy, Land Use and Transportation) model, a computable general equilibrium model, has been econometrically estimated and calibrated for Los Angeles and Greater Paris. In Year 1, the tax data for Los Angeles and for Paris was collected. The model was recoded to do revenue-neutral substitutions among taxes on income, sales, wedges between wages paid by employers and received by workers, and property taxes with structure and land components, as well as congestion tolls. This proposal explains extension of the model in Year 2 to spatial tax variation analysis and tax optimization and the expected results.

**Kevin C. Gillen** *Economist and Senior Research Consultant, Fels Institute of Government, University of Pennsylvania*

**Guy Thigpen** *Director of Research, Philadelphia Redevelopment Authority*

**The Empirical Development and Application of Land Price Indices**

While a broad and extensive literature exists on the estimation and application of house price indices in the analysis of real estate markets, comparatively little research has been done on the development and potential use of land price indices (LPIs). Much like their housing counterparts, LPIs have great potential for multiple applications: tracking changes in the price levels of vacant land, identifying spatial variation in land price appreciation and depreciation, determining the current market value of vacant land and volume, and serving as a leading indicator for future development. This study will develop and apply a series of historical LPIs for Philadelphia.

**Tina Beale** *Program Director, Land Economy and Valuation Surveying Division, University of Technology at Jamaica*

**Rochelle Channer-Miller** *Assistant Lecturer, Land Economy and Valuation Surveying Division, University of Technology at Jamaica*

**Cadien Murray-Stuart** *Senior Lecturer, Land Economy and Valuation Surveying Division, University of Technology at Jamaica*

**Amani Ishemo** *Associate Professor, Urban and Regional Planning Division, University of Technology at Jamaica*

**Toward Property Tax Compliance: A Case Study of Attitudes Toward Paying Property Taxes in Jamaica**

The rate of property tax compliance in Jamaica has been declining, with the average rate of compliance falling from 70 percent to fewer than 50 percent between 2003 and 2010. A land value-based property tax is used in Jamaica to fund local government services (e.g., street lighting and garbage collection), and is therefore a critical component of providing public goods and services by the state. This study will be carried out in two phases. The first phase focuses on assessing the attitudes of property owners toward payment of property taxes. These will be gathered from the parishes with the highest, lowest, and median compliance rates. The attitudes identified in Phase One will form the basis of the study for Phase Two. The latter will involve the creation and implementation of a model geared to bring about a positive change toward property tax compliance.

**Robert W. Wassmer** *Professor, Department of Public Policy and Administration, California State University at Sacramento*

**Property Taxation, Its Land Value Component, and the Generation of "Urban Sprawl": The Needed Empirical Evidence**

Does the rate of property taxation in an urban area influence the occurrence of "urban sprawl"? Theory, which relies on the land value component of this taxation, is not clear on this. Furthermore, methodological concerns in earlier empirical analyses of this issue cast doubt on their reliability. The proposed use of panel data from more than 400 U.S. urban areas, various measures of population density as dependent variables, and a more fully specified set of explanatory variables result in greater confidence that the estimated effect of an urban area's rate of property taxation on its population density is valid.

**Zhou Yang** *Assistant Professor of Economics, Robert Morris University*

**Differential Effects of Two-Rate Property Taxation: New Evidence from Pennsylvania**

This project is the first empirical attempt to investigate the effect of two-rate (split-rate) property taxation on land value and the differential effects of two-rate property taxation in Pennsylvania. Using a unique and rich data set, this project proposes a new empirical model to explore heterogeneity in the responses to changes in property tax structure. The findings of this study have important policy implications and help to guide local property tax reform.

### CHINA PROGRAM 2015 INTERNATIONAL FELLOWSHIP AWARDS

The Lincoln Institute's program on the People's Republic of China is pleased to announce the selected proposals for the China Program 2015 International Fellowship awards:

**Dr. Simon Xiaobin Zhao** *Founding Director, International Center for China Development Studies, University of Hong Kong*

Land/Real Estate Development and Financial Crisis: A Comparative Study between China and World Major Experiences 1980–2013

**Dr. Cathy Yang Liu** *Associate Professor, Andrew Young School of Policy Studies, Georgia State University*

**Dr. Jie Chen** *Professor, School of Public Economics and Administrations, Shanghai University of Finance and Economics*

**Dr. Huiping Li** *Associate Professor, School of Public Economics and Administration, Shanghai University of Finance and Economics*

**The Segmentation of Urban Housing and Labor Markets in China: The Case of Shanghai**

**Xinrui Shi, J.D** *Emory University School of Law*

**Mortgage Enforcement and Public Regulatory Actions in Selected Chinese Cities**

**Dr. Richard C. Feiock** *The Jerry Collins Eminent Scholar Chair & Augustus B. Turnbull Professor of Public Administration, Askew School of Public Administration and Policy, Florida State University*

**Regional Governance and Institutional Collective Action for Environmental Sustainability in China**

# A New Direction for *Land Lines*

**LAND LINES DEBUTED IN 1989** as a six-page newsletter, recording Lincoln Institute activity in green ink on beige recycled paper. Over the years, it chronicled our transformation from a school to a private operating foundation; underwent various redesigns, including this year's dramatic refresh by Sarah Rainwater Design; and reflected the perspectives of four presidents, from Ronald Smith, H. James Brown, and Gregory K. Ingram to our current President and CEO George W. (Mac) McCarthy.

Moving forward, *Land Lines* will interview our researchers as well as the citizens and leaders whose problems would be solved by smarter planning, municipal finance, and land-related taxation.

Many of the economists, planners, and conservationists whose articles appeared in the earliest issues are still engaged with the Lincoln Institute, and their knowledge and experience give our work deep roots, even as we branch out, supporting the research of new scholars and practitioners. For 26 years, these academic experts wrote *Land Lines* articles, commissioned as part of larger research programs by our three departments: Valuation and Taxation, Planning and Urban Form, and International Studies, which includes programs on Latin America and China.

While the magazine will continue to reflect their work, we have started commissioning journalists—carefully chosen for their experience, expertise, and locations—to write narratives that draw on our research and demonstrate how effective and creative land policies help to solve vexing social and economic challenges.

Moving forward, *Land Lines* will interview our researchers as well as the citizens and leaders whose problems would be solved by smarter planning, municipal finance, and land-related taxation. You'll hear from people like the citizens in New Orleans and Dallas who are using technology to minimize blight in their neighborhoods (p. 4); the settlers in Lima, Peru, whose hard-won titles to their homes may be at risk due to changes in the national property registry and other factors (p. 6); and the residents of Detroit who turned out in unprecedented numbers in a collective attempt to save their city by reinventing it (p. 14).

Although *Land Lines* is changing, some constants will endure. It will remain free and stubbornly nonpartisan. Our research program departments will still develop the key themes we explore. And we will continue to publish quarterly, honoring the Lincoln Institute's historic identity as a school and research institute by taking the long view, plumbing the depths of contemporary global challenges, and recommending land policy approaches to address them.

"The land use decisions we make today will dictate the quality of life for hundreds of millions of people in the next century," Mac McCarthy reminded us in the July 2014 message from the president. By linking our research to the lives of real people, we hope to elevate the general understanding of what we do, deepen and broaden demand for our expertise, and ultimately inform more equitable, effective, and resilient land policy.

Detroit. Credit: REUTERS/ Rebecca Cook

LINCOLN INSTITUTE
OF LAND POLICY

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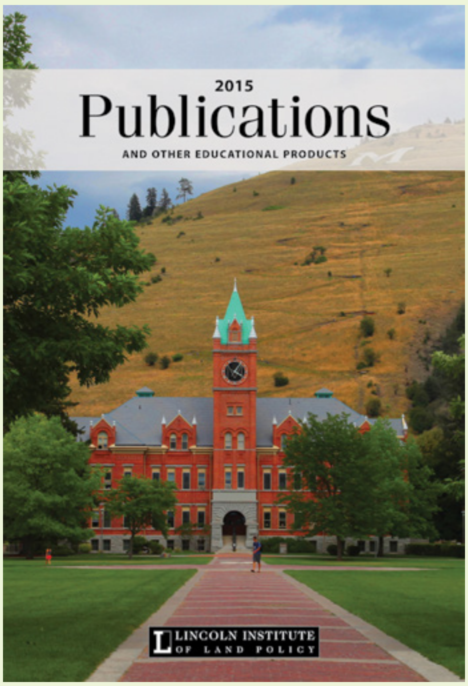


## 2015 Publications Catalog

The Lincoln Institute's 2015 Publications catalog features more than 125 books, ebooks, Policy Focus Reports, and multimedia resources. These publications represent the work of Institute faculty, fellows, and associates who are researching and reporting on property taxation, valuation, and assessment; urban and regional planning; smart growth; land conservation; housing and urban development; and other land policy concerns in the United States, Latin America, China, Europe, Africa, and other areas around the globe.

All of the books, reports, and other items listed in the catalog are available to purchase and/or download on the Institute's website, and we encourage their adoption for academic courses and other educational meetings. Follow the instructions for requesting exam copies on the Publications homepage. The entire catalog is posted on the website for free downloading. To request a printed copy of the catalog, send your complete mailing address to **help@lincolninst.edu**.

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