

Land Lines

Newsletter of the Lincoln Institute of Land Policy

Comparative Policy Perspectives on Urban Land Market Reform

Gareth A. Jones

Numerous convergent trends motivated 40 academics and practitioners from 15 countries to meet at the Lincoln Institute in July 1998 to discuss recent land market reforms. First, the recognition that the world's population is becoming increasingly urban and so the quantity of land converted to urban use is expected to rise significantly. Second, evidence that a major proportion of the world's poorest households now lives in urban areas (e.g., 80 percent in Latin America). Third, the perceived sea change in the role of government shifting away from intervention and regulation toward more selective urban management. During the three-day workshop, participants presented papers and discussed the rationale behind recent legal and institutional reforms, the nature of the transition from customary or informal to formal markets, evidence for improved land market efficiency, and access to land for the poor.

Legal and Institutional Reform

Several participants made the case for institutional reform of land markets in different ways. Steve Mayo (Lincoln Institute) drew conceptual and empirical links between the performance of property markets and the macro economy. He noted that poorly functioning land markets influence wealth creation and mobility rates which, coupled with particular finance conditions, could aggravate macro-economic instability. Drawing data from the Housing Indicators Program, he showed that the prices of raw and serviced land tended to converge with higher land prices, indicating larger land development multipliers at lower prices. He also noted a relationship between the price elasticity of the housing supply and the policy environment.

Although there is a perception that reforms toward 'enabling' policy environments are now widespread in developing and transition economies, Alain Durand-Lasserve (National Center for Scientific Research, France) observed the rarity of explicit references to 'land market reform' in political statements in Africa. Indeed, he argued that the ideological underpinning for freer land markets was more advanced than the practice of establishing the prerequisites for effective and unitary markets. In practice, a number of papers indicated competing political agendas, legal ambiguity and diversity of progress in the reform process.

"The law can be reformed, history cannot," said Patrick McAuslan (Birkbeck College, London) in discussing the role of the law as a necessary basis for effective land market reform. He described the evolution of the recent Land Act of Uganda, which seeks to establish a land market

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based on individual ownership. He commended the government for dovetailing the reform process with extensive public debate, but noted that drafts of the Act set up new contradictions in a century-long history of competing land relations between freehold, customary tenure and nationalized public lands. His paper outlined a series of 'time-bombs' left by colonial administrations and aggravated by post-independence governments, only some of which are addressed by the new legislation.

The inconsistent nature of reform appears to be particularly acute for the transition economies of Eastern Europe and Southern Africa. The legacies of

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communism in Eastern Europe have led to inappropriate land uses and the assignment of non-monetary values to property. Legal changes toward land privatization, however, have been slow. Tom Reiner (University of Pennsylvania) argued that despite a strong normative case for privatization and latent demand in the Ukraine, current laws make no provision for freehold sale. He presented data to show that privatization would yield considerable macro-economic and fiscal benefits: direct sales revenue alone would amount to \$13 billion, plus increased taxes and more efficient resource allocation.

In Russia, according to Jan Brzeski (Crakow Real Estate Institute), the emergence of land markets has been inhibited by a different understanding of the social role of property and turf politics. In Poland, where privatization is more advanced, he argued that reforms have been insufficient to overcome extensive resource misallocation. Assignment has taken place at symbolic prices without reforms to ground rents or property taxes, and with high transaction costs. Nevertheless, land market turnover is increasing faster than economic growth and re-sales represent about 25 percent of capital investment.

The 1991 privatization program in Albania appears to have stimulated an active property and land market. Research by David Stanfield (University of Wisconsin-Madison) indicates substantial increases in

turnover rates and increasing prices, but also extensive conflicts between pre-collectivization and post-privatization holders, contradictions in the many laws and errors in the new documentation. The research points to the relative ease of establishing frameworks for privatization but greater difficulties in allowing markets to function thereafter.

Lusugga Kironde (University College of Lands and Architectural Studies) described how shortcomings in the 'planned' allocation system in Tanzania meant that 60 percent of people acquired land through informal methods. This in turn denied revenue to the government since transactions were outside official sanction and in some cases well-off households received plots with a substantial subsidy. Michael Roth (University of Wisconsin-Madison) described a similar situation in Mozambique, where the legacy of state socialism is still felt in the level of government intervention and under-representation of freehold tenure.

In both countries, the assessment of reform was mixed. Tanzania's New Land Policy (1995), while a useful step in accepting the existence of a land market and providing security to plots with customary tenure, has fallen short of removing the barriers to an effective land market. In particular, Kironde noted that the new measures concentrated decisions in a Land Commissioner despite a national policy of administrative decentralization. The policy offers no incentive to encourage the formalization of informal practices and no stake

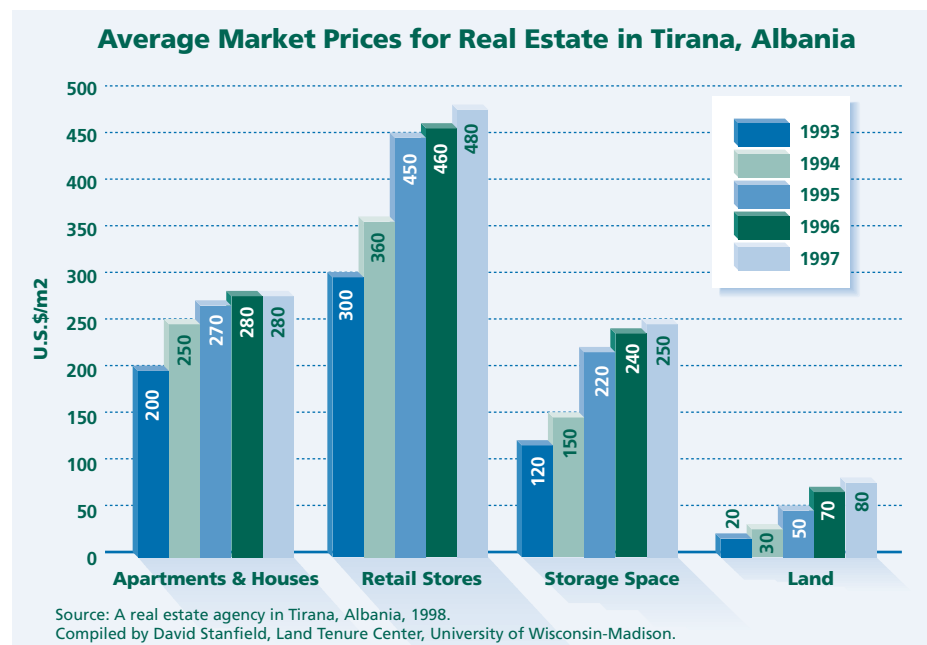
to ensure the compliance of important middlemen. In Mozambique, since the late 1980s, market-oriented reforms have produced unclear administrative responsibilities and uncertain land rights. One feature has been land disputes with households calling upon newly empowered producer associations to defend claims. The 1997 reforms attempt to guarantee tenure security, provide incentives for investment, and incorporate innovative ideas for community land rights.

In Latin America, reform has been less concerned with establishing markets per se and more with improving their function, especially land reforms motivated by largely rural concerns but which have important urban impacts. Rosaria Pisa (University of Wales) indicated that reforms in Mexico have created the necessary conditions for the privatization of community (ejido) land, but progress has been slow. Less than one percent of land has been privatized in five years due to other government interests and legal ambiguities that have established a second informal land market.

Carlos Guanziroli (INCRA—the National Institute on Colonization and Agrarian Reform, Brazil) argued that rural reform was producing land use diversity, especially through the survival of small family farms. Reform was also affecting Brazil's urban land markets as capital switched from rural to urban areas, probably raising urban land prices. Francisco Sabatini (Catholic University) argued that the liberalization in Chile had not reduced land prices because landowners' and developers' decisions are influenced less by regulations and more by demand.

Overall, the consensus on whether reforms were producing unitary and less diverse land markets was unclear. Agents and institutions are proving to be very adaptable to new conditions, a point made for all three regions. Ayse Pamuk (University of Virginia) argued that, based on her analysis of informal institutions in Trinidad, researchers should look away from formal regulations as a barrier to land market operation. Instead, they should consider how social institutions such as trust and reciprocity were producing flexible solutions to tenure insecurity and dispute resolution.

Clarissa Fourie (University of Natal) described how user-friendly local land records could be merged with registries



on marriage, inheritance, women's rights and debt to produce a useful tool for land administration in Namibia. Nevertheless, she noted that the incorporation of customary practices into land administration to provide security of tenure would mean some adaptation of social land tenure systems. Pointing to research in Senegal and South Africa, Babette Wehrmann (GTZ, Germany) argued that customary and informal agents were flourishing and providing high-quality sources of market information.

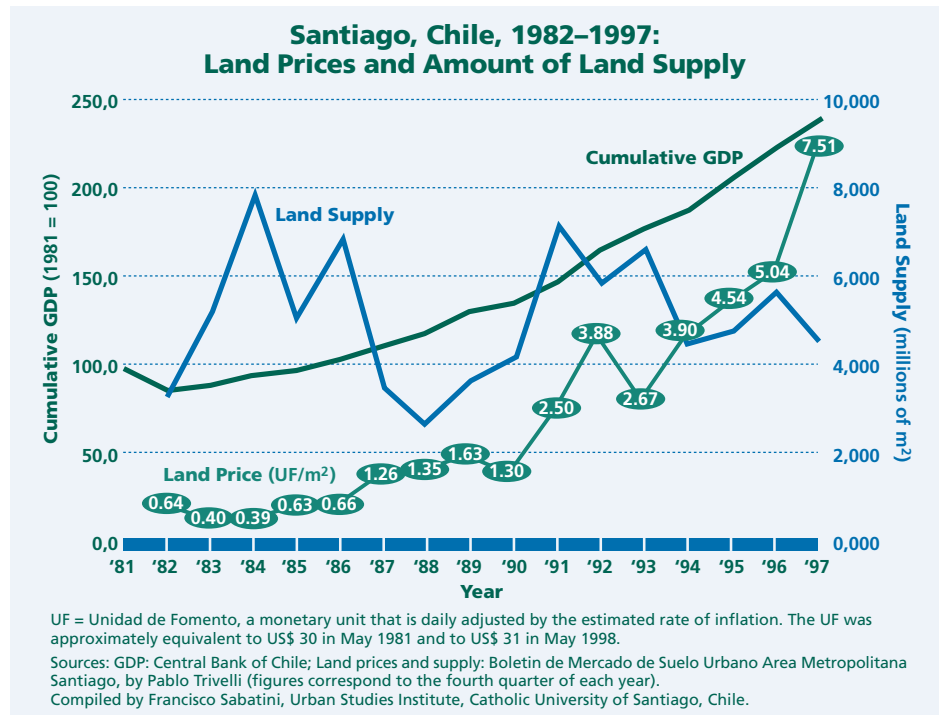
The Formalization and Regularization of Land Tenure

Peter Ward (University of Texas at Austin) described the diversity of regularization programs across Latin America, where some countries consider it to be a juridical procedure and others regard it as physical upgrading. Regularization may be an end in itself (mass titling programs), or a means to an end (to develop credit systems). Ward argued that the differences among programs stem from how each government 'constructs' its urbanization process and represents this vision back to society through laws and language.

Edesio Fernandes (University of London) explained how Brazil's Civil Code dating from the beginning of the century created a system of individual property rights that restricted the ability of government to regularize favela communities. The 1988 Constitution attempted to reform this situation by acknowledging private property rights when accomplishing a social function. Nevertheless, legal tensions within regularization programs have failed to integrate the favelas into the 'official city,' leading to some politically dangerous situations.

Under different circumstances, South Africa produced a regulatory regime that denied freehold tenure to black households or offered only complicated non-collateral permits to the few. Lauren Royston (Development Planning Alternatives, Johannesburg) outlined how the country's Land Policy White Paper contemplates legally enforceable and non-racial rights, a wider range of tenure options and opportunities for communal property acquisition.

The two developing countries with the most extensive mass titling programs, Mexico and Peru, were scrutinized by Ann Varley (University College, London) and Gustavo Riofrio (Center for the Study and



Promotion of Development—DESCO, Lima). Varley assessed two prevailing assumptions that run through the contemporary policy literature: that decentralization produces more effective land management, and that the regularization of customary tenure is more complicated than the regularization of private property. In Mexico, despite the rhetoric of decentralization, a highly centralized system has been increasingly effective in providing land regularization to settlements on ejido land. On the other hand, the regularization of private property is tortuously long and frequently produces poor results. She commented with some concern on the current trends in Mexico to convert ejido land to private ownership and to move toward greater decentralization.

Riofrio questioned the validity of the claims made for land regularization in Peru. He noted that in reality household interest in property title was quite low, not least because records are inaccurate and therefore offer less security than promised. Moreover, only an incipient housing finance market has emerged, based on the regularized properties. Households are wary of debt but are willing to borrow small sums for micro-enterprises and consumption secured on their housing.

New Social Patterns and Forms of Land Delivery

Would liberalization produce more segregated land markets? Brzeski noted that

state planning in Eastern Europe has left a legacy of spatial equity and few informal land holdings, but that it would not last forever and planners need to take this into account when instigating reform. In countries with notable levels of social segregation, such as Chile, Colombia and South Africa, less predictable trends are emerging. Sabatini's data indicated less spatial segregation in Santiago despite liberalization as intermediate spaces are developed, around malls for example, and as new lifestyles are reflected in 'leisure home' developments outside the metropolitan area.

Carolina Barco (University of the Andes) argued that new measures in Colombia, specifically the 1997 Ley de Ordenamiento Territorial, will allow the government of Bogota to capture land value increments and transfer these revenues to public housing and other projects. This process is still problematic, however, even in a city with considerable experience in the use of valorization taxes.

In South Africa, strategies to cope with the 'land hunger' of the post-apartheid city, especially the Development Facilitation Act nationally and the Rapid Land Development Program in the province of Gauteng, have offered fast-track land release but have not performed as well against the principles of equity and integration. Royston explained that the result has been a large number of invasions and the speeding up of land delivery through local

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government on the urban periphery that does not challenge the 'spatial quo.'

Changing the method of land delivery and government stakeholding has the potential to affect segregation and access to land. Geoff Payne (Geoff Payne and Associates, London) outlined the principles and practices of public/private partnerships in developing countries. Although much heralded in international policy, research in South Africa, India, Pakistan, Egypt and Eastern Europe has shown that such partnerships had undersold their potential.

Crispus Kiamba (University of Nairobi) outlined a transition in Kenya from government-sponsored schemes, which left the informal and formal circuits separate, to new approaches with greater NGO involvement, 'group ranches' and partnerships. In Mexico, too, partnerships are seen as one method to eliminate the cycle of illegality and regularization. Federico Seyde and Abelardo Figueroa (Mexican government) outlined a new program called PISO, which, despite numerous bottlenecks when compared to previous interventions (e.g. land reserves), was proving more effective.

Land Markets and Poverty Reduction

In my opening remarks I argued that most research on markets considered poverty as a legitimate context, but thereafter seemed more concerned with market operations than with how these operations might affect poverty. In the final session, Omar Razzaz (World Bank) outlined a proposal for linking land market operation to poverty reduction. The 'Land and Real Estate Initiative' aims to investigate ways to improve the liquidity of land assets and access to the poor through re-engineering land registries (improved business processes), developing regulatory infrastructure (the exchange-mortgage-securitization continuum), and accessing and mobilizing land and real estate by the poor. The appropriateness of this initiative generated considerable debate, which may help in refining ideas that could benefit the 500 million people living in urban poverty in developing countries. **L**

Gareth A. Jones was the program developer and chair of the workshop. For a copy of the proceedings, write to Dr. Gareth A. Jones, Department of Geography, University of Wales, Singleton Park, Swansea, United Kingdom, or G.A.Jones@Swansea.ac.uk. For details about the Land and Real Estate Initiative, contact Omar Razzaz, orazzaz@worldbank.org

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RELATED PUBLICATIONS

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Edesio Fernandes, "Access to Urban Land and Housing in Brazil: Three Degrees of Illegality," Working Paper, 1997. 40 pages, \$9.00. WP97EF1

Gareth A. Jones and Peter M. Ward, editors, *Methodology for Land and Housing Market Analysis*, 1994. 288 pages, \$37.95. 123-9. Copublished with UCL Press.

Ayse Pamuk, "Informal Institutional Arrangements in Credit, Land Markets and Infrastructure Delivery in Trinidad," Working Paper, 1998. 38 pages, \$9.00. WP98AP1

John P. Powelson, *The Story of Land: A World History of Land Tenure and Agrarian Reform*, 1988. 347 pages, \$30.00. 218-9.

Numerous articles on land reform and related topics in previous issues of *Land Lines* are available at no charge on our website (www.lincolnst.edu).

Public Land Management: The Brasilia Experience

Pedro Abramo

Brasilia, the capital of Brazil, was inaugurated in the early 1960s as a "new city" that was to usher in a new era for Latin American metropolises, demonstrating how the government's efficient use of land would allow for orderly urban growth. Two basic instruments were provided for this purpose: normative control of the use of land based on a master plan devised by Lucio Costa; and government ownership of land in the federal capital, which would permit the capital to be planned without the kinds of restrictions and conflicts that normally result from private land ownership. However, three and a half decades later, the problems associated with urban development in Brasilia do not

differ substantially from those experienced by other large cities in Latin America.

Land Tenure Shortsightedness and Administrative Patronage

Brasilia presents a unique example of urban land management in Latin America because the administration of public land has always been the responsibility of the local government. Nevertheless, the city's periphery has experienced an explosive rate of growth with its concomitant pattern of irregular land occupation, illegal subdivisions and lack of infrastructure. In Brasilia the possibility of steering the process of urban growth by means of an explicit policy of access to public land has been slowly and irreparably jeopardized by spontaneous (and illegal) land occupation. This

shortsighted use of public land is generally dysfunctional for both urban density and public finance, thus hindering the local administration's efforts to provide infrastructure to these irregular sites.

Furthermore, political influences on the development process have significantly compromised the chances of efficiently managing the supply of public land in Brasilia. In the early 1990s the government distributed about 65,000 lots in areas without any basic infrastructure. Besides reducing the stock of public land, this "land tenure patronage" created the need for new funding sources to finance new infrastructure. Since the main resource available to the Federal District's Development Agency (Terracap) is the land itself, this patronage policy resulted in the sale of additional

public lands to finance infrastructure in irregular settlements. This vicious cycle has caused serious distortions that the present local administration aims to solve by using public land as “capital” to create an effective policy to manage land tenure revenues and urban costs.

The Brasilia experience seems to confirm the arguments of Henry George and others that public land ownership does not *per se* lead to more balanced and socially egalitarian urban growth. The current local government strategy to define ways to manage revenue from public lands in order to manage the use of urban land indicates a new form of government interaction with the land market. In this sense, the government changes its role from being the principal landowner to becoming the administrator of land benefits.

Public Land as Land Tenure Capital

The core principle of Brasilia’s new strategy of administering land equity is the definition of public land as “land tenure capital.” The use of this land is submitted to a set of strategic actions that transform public land capital into a factor that induces the consolidation of the Federal District’s technological complex. This is the public counterpart in the process of

reconverting land use in the city center into an instrument of social promotion in the land tenure regulation program: public lands are used as land assets through sales, leases and partnerships in urban projects.

The use of differentiated land tenure strategies lends more flexibility to the government in coordinating its actions. The search for a balance between initiatives of a social nature and others where the government seeks to maximize its income is now taking on the appearance of an actual policy of public land administration that breaks with former patronage practices.

In this context of exploring new approaches to the use of public land to control urban development in Brasilia, the Lincoln Institute, the Planning Institute of the Federal District and Terracap organized an International Seminar on Management of Land Tenure Revenue and Urban Costs in June 1998.

The program brought together international experts, government secretaries and local administrators with a view to evaluating international experiences in using public lands to finance urban growth in Europe, the United States and Latin America. Martim Smolka of the Lincoln Institute described the relationships between land market operations, land use regulations and the public capture of land value

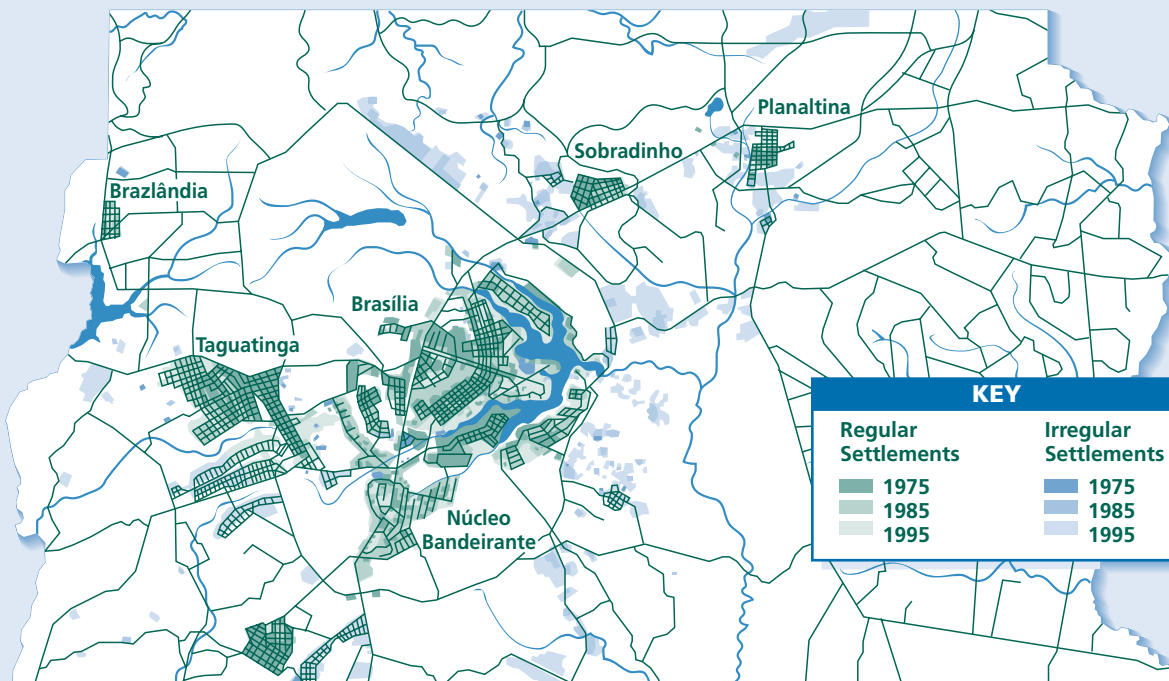
increments. Alfredo Garay, an architect and former planning director for the city of Buenos Aires, reported on experiences in the development of public land around the city’s harbor.

Bernard Frieden of Massachusetts Institute of Technology described how commercial activities on public trust lands in the western United States are used to raise funds for education and other local purposes. Henk Verbrugge, director of Rotterdam’s fiscal agency and The Netherlands’ representative to the International Association of Assessing Officers, described the country’s system of hereditary tenure, a legal regulation by which land can be used for full private use and benefit while remaining under municipal control and economic ownership.

The participants discussed how these experiences compared with the situation in Brasilia and concluded that the success of various strategies for the use of public land depends on the suitability of specific projects to the respective country’s business culture and the institutional practices in effect in the local administration. **L**

Pedro Abramo is a professor at the Institute of Urban and Regional Research and Planning at the Federal University of Rio de Janeiro, Brazil. Contact: abramo@ippur.ufjf.br

Growth of Settlements in the Federal District of Brasilia



Source: Adapted from *A terra pública gerando o desenvolvimento econômico e social*, Terracap.

The Landscape of Ideas on Property Rights

Antonio Azuela

My experience in attending the “Who Owns America? II” conference in Madison, Wisconsin, last June was like contemplating a landscape of ideas about land and people. From my perspective, this landscape had four salient features:

- the expansion of property rights;
- the challenge of the private/public dichotomy;
- the growing complexity of the physical world, which constitutes the ‘object’ of property rights;
- and the narrative approach as a methodological tool for better understanding property as a social relationship.

The most noticeable feature in U.S. legal thinking about land is the great importance of property rights. Latin American legal tradition, following French jurist Leon Duguit’s doctrine of the social function of property, tends to see property rights as something to be limited by government and law in order to meet social needs. So, it was a cultural shock for me to discover the popularity of Charles Reich’s theory about property, where egalitarian ideas are advanced by means of asserting individual property rights.

At the conference, one could see many different ways in which the notion of property rights was expanded to accommodate new social demands. Eric Freyfogle’s contention that property should have an honored place in society is one example. Of course, an idea does not have to be accepted unanimously in American legal thinking for it to be an important aspect of today’s landscape of ideas about property.

The second feature refers to the distinction between public and private—a distinction that is so essential to modern societies that it is usually taken for granted. We are used to recognizing the coexistence of two separate forms of social control over the same piece of land: that of private landowners and that of public government

organizations. However, one has to remember that this separation is not eternal or universal; it is a historical product.

Urban studies have long shown that land use regulations constantly affect the relationships between public and private control. Planning powers and development rights have been shrinking and expanding since the inception of modern urban management, and that process is now seen as normal. A more profound challenge to the separation of public and private categories was raised at the conference by indigenous peoples’ claims to their territories in the United States.

Those claims refer to a third, not yet fully codified, form of social control over land. In general, indigenous peoples do not aim at controlling local governments, i.e. governing a territory through conventional means. They also reject being treated simply as private corporations who own land. They talk about rights of a different nature, with old and new elements, and they do so by challenging a series of treaties between the people and the state. A treaty is the typical form of legal relationship between a nation-state and an external force. Apparently, past treaties were supposed to ‘settle’ the territorial question. But those treaties are now being questioned both in terms of the public/private dichotomy and because the formation of a nation-state was not completed.

We must also recognize that classical legal thinking does not have the tools to give meaning to these developments, because it is the very foundation of that thinking that is being shaken. Clearly, these concerns are also being raised in Canada and Mexico, although under different forms and with different outcomes. Scholars and practitioners in legal theory, and particularly constitutional theory, in all three countries of North America can learn a lot from each other in this process.

We should not be surprised to see new forms of territorial control when there have been so many changes in the land itself. Thousands of books have been written about the transformation of the land, mainly from what we now call an environmental perspective. Land as the ‘object’ of

property relations has become extremely complex, and this complexity is the third feature I see in this landscape of ideas. Territories have become very difficult to understand, and perhaps the most relevant development is the blurring of the urban/rural distinction. We do not have cities in the traditional sense of the word; what we have is a set of urbanization processes.

The heralds of cyberspace tell us that as distances are shortened through new technologies, space and distance have become irrelevant. The truth is that technological change, combined with demographic and social change, has only made land more complex. This is clear when we see, as in the papers presented at the conference, the great number of disciplines that describe, analyze and even sing about land. There is not a single discipline that can embrace land into one form of discourse.

Maybe the most interesting new way of looking at land is the narrative approach, the fourth feature in our landscape. Listening to stories about land throws more light on property relationships than many other empirical methods because it allows us to recognize the subjective aspects without getting too far from empirical social sciences. Compared to the rigidity of legal and economic approaches, personal accounts give us the fluidity of property as a social relationship, the changes that occur in that relationship as a result of many interactions, and the different meanings that a piece of land or a neighborhood can have for its dwellers, new settlers, visitors or others.

Recognizing the richness and vividness of people’s stories and contrasting this richness against the rigidity of legal categories does not require neglecting those categories. Indeed, this more subjective approach can be another way of taking the law seriously. There is hardly any social discourse about land, even in its most vernacular form, which does not have a normative connotation. When someone says ‘this land is (was or should be) mine,’ he or she is making a legal claim. Legal categories are important outside the professional circles of lawyers, judges and realtors

precisely because they are part of people's stories; moreover, their function is to give meaning to people's experiences.

When legal categories are not able to embrace a people's normative representations about land, the law has lost its meaning. If traditional legal thinking defines property as a bundle of rights, the narrative approach can teach us to see property rights as bundles of representations that can be used to help people give meaning to their relationship to the land. Maybe this is the main lesson I have learned from "Who Owns America?": to use many lenses to look at the landscape and to explore comparative ideas about individual and community ownership, informal settlements and legal systems throughout North America. □

Antonio Azuela is the Attorney General for Environmental Protection in the federal government of Mexico. A graduate of Universidad Iberoamericana (Mexico City) and the School of Law, University of Warwick (England), he has been the legal advisor to several state governments and federal government agencies on planning law. Mr. Azuela is author of *La Ciudad la Propiedad. Privada y el Derecho—The City: Private Property and the Law (El Colegio de Mexico, 1989)* and numerous other publications on urban and environmental law from a sociological perspective. Contact: aazuella@buzon.semarnap.gob.mx

EDITOR'S NOTE:

The "Who Owns America? II" conference in June 1998 was cosponsored by the Lincoln Institute and the North American Program of the Land Tenure Center at the University of Wisconsin-Madison. Call the Land Tenure Center at 608/262-3658; visit the Land Tenure Center's web-site at lwcweb.ltc.wisc.edu/nap; or email [ltc-
nap@facstaff.wisc.edu](mailto:ltc-
nap@facstaff.wisc.edu) to receive a copy of the printed conference program including workshop speakers, topics and abstracts for more than 70 concurrent sessions.

The University of Wisconsin Press has recently published *Who Owns America? Social Conflict over Property Rights*, edited by Harvey M. Jacobs, and based on the first conference in 1995. Contact: www.wisc.edu/wisconsinpress/

New Institute Book Examines Land Value Taxation

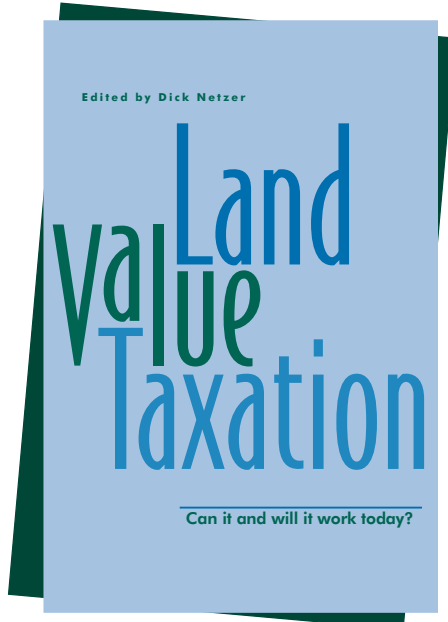
The classical economists of the early nineteenth century recognized that, in theory, the land value tax was almost the perfect tax. This view prevailed because the rent of land (the return from holding land), which determines its value, is a pure surplus, not a consequence of any economic actions by landowners.

Decades later Henry George made a passionate case for the "single tax" in *Progress and Poverty* (published in 1879). George considered his position to be entirely consistent with and a logical extension of the classical view. Unlike other taxes, a tax whose amount is determined solely by the natural properties of land (in urban areas, its location) causes no distortions in economic decision making and therefore does not lower the efficiency of a market economy in allocating resources. Although the Georgist argument has had very limited success politically over the years, economists continue to find the theoretical case for land value taxation compelling.

In January 1998, the Lincoln Institute sponsored a conference that addressed the question, Can land value taxation work and will it work in contemporary societies? The recently published book based on the conference, *Land Value Taxation: Can It and Will It Work Today?*, is edited by Dick Netzer, professor of economics and public administration at the Robert F. Wagner Graduate School of Public Service at New York University, who was also the conference coordinator.

The book comprises the eight papers prepared for and presented at the conference and 10 commentaries that have been revised for publication. The authors of the conference papers are Roy Bahl, William A. Fischel, Edwin Mills, Thomas Nechyba, Dick Netzer, Andrew Reschovsky, Nicolaus Tideman and Edward Wolff. The discussants are Alex Anas, Daniel Bromley, Karl Case, Riel Franzsen, Yolanda Kodrzycki, Daphne Kenyon, Therese McGuire, Amy Ellen Schwartz, Robert Schwab and Robert Solow.

Most of the papers begin by assuming that the objective was to use the land value tax to replace all other local government



taxes, or a large proportion of all state (or provincial) and local taxes combined. In American terms, this assumption would replace 10 to 15 percent of public-sector revenue, a very large amount today, close to \$300 billion. Two papers begin with the somewhat different assumption that the land value tax would replace some part of the income taxes now levied, at whatever level of government.

Much of the controversy that arose in the conference discussions centered on whether the land value tax could really produce substantial revenues. Another concern was the problems associated with administering a land tax so that tax liabilities actually and accurately reflect the value of individual parcels of land as bare sites, which is essential if the tax is to be truly efficient. These issues are illuminated by the essays, but not settled. As scholars usually do, these authors call for more research on the questions of revenue adequacy and how to administer a land value tax to accurately value sites.

Land Value Taxation is a 304-page volume published by the Lincoln Institute. The price is \$25 per copy, plus shipping and handling. A 25 percent discount is available for orders of 10 or more copies. Please use the Request Form on page 11 or call the Institute at 800/LAND-USE (526-3873) to place your order. □

New Working Papers

The Lincoln Institute supports research by scholars and practitioners investigating a wide range of land use and taxation issues. In many cases this research is documented in the form of a working paper that is distributed as part of the Institute's working paper series. Abstracts of six recently completed papers are presented below.

Measuring Use-Value Assessment Tax Expenditures

Use-value assessment is the practice of valuing land for property tax purposes in its current use, rather than its full market value. This practice is widespread in the U.S. and is intended as a means to reduce the property tax burden on farmers and to slow the conversion of farmland into developed uses. The purpose of this paper is to examine the practice of use-value assessment and determine the foregone property tax revenue, or the so-called tax expenditure, of this policy. The economic theory of land prices is presented and used to frame a context within which use-value assessment tax expenditures can be examined. Empirical models of the difference between market value and use value are then estimated using two data sets from Omaha and Lincoln, Nebraska.

John E. Anderson is professor of economics and director of Graduate Studies in Economics at the University of Nebraska in Lincoln. Contact: janderson@unlinfo.unl.edu.

WP98JA1, 30 pp., \$9.00

Sustainable European Cities: A Survey of Local Practice and Some Lessons for the U.S.

This paper presents the observations of a year-long study of innovative urban sustainability initiatives in more than 20 European cities in ten countries. Based on about 200 interviews and extensive field visits, the main themes and most innovative areas of practice include the following: efforts at promoting more compact development patterns; greening the urban environment (e.g. through green roofs and courtyards and ecological networks); urban eco-cycle balancing (a balancing of inputs and outputs); ecological governance (ways that local governments can directly promote sustainability through their own policies and practices); and strategies for

promoting more sustainable local economies. Special attention is given to strategies for limiting the use and presence of automobiles. The following findings are discussed in detail: innovations in promoting bicycling use, public transit, traffic-calming, creation of pedestrian areas, creation of car-free housing estates, and the use of car-sharing.

The paper ends with a series of lessons learned and implications for American cities. While acknowledging that there are many differences between European and American cities (different planning systems and cultural contexts), the paper argues that much can be learned from these European experiences and offers insights into which strategies and concepts might be most successfully applied in the U.S.

Timothy Beatley is associate professor in the Department of Urban and Environmental Planning in the School of Architecture at the University of Virginia, Charlottesville. Contact: tb6d@virginia.edu.

WP98TB1, 130 pp., \$18.00

Urban Vacant Land in the United States

The focus of this research is on city governments as owners of vacant land and regulators of privately held vacant land through their land-use and zoning powers. The first part of the paper is a literature review. Most studies and reports are ad hoc and case specific, impinging on our ability to make informed judgments and assessments about urban vacant land more generally. Missing from the policy discussion on what to do with urban vacant land is an empirical and broad-based assessment of the vital role city governments play in disposing and amassing land for developmental, recreational or greenspace purposes. Cities also have an important role in promoting the city's vision of its future cityscape and in encouraging and directing re-use of vacant land and abandoned buildings.

The second, empirical portion of this study seeks to estimate and assess the amount of vacant land and abandoned structures in U.S. cities, to identify and measure the kinds of vacant land policies now used by city governments, and to analyze the causal factors related to vacant land and city policies. Surveys were mailed to all cities with populations exceeding

50,000, and we received responses from 186 cities (35 percent). The data indicate that approximately one-fifth of an average city's land is vacant, whether intentionally as with open space, or unintentionally as with abandoned factories. The most universal problem that cities face is that vacant land is not assembled in sufficiently large parcels to encourage redevelopment, and in many cases odd-shaped parcels are in the "wrong" locations. Two-thirds of the cities have implemented special programs to encourage the use or re-use of vacant land and structures, and many city officials report modest progress in getting such resources back in circulation.

The statistical results suggest that cities with the ability to expand their territories (i.e., highly "elastic" cities) are likely to have more vacant land, while cities lacking that ability are likely to have less vacant land. Moreover, cities that are losing population are likely to have more abandoned structures, and cities that are gaining population are likely to have fewer abandoned structures. Beyond these two factors, the statistics only suggest the possibility of other explanatory variables. Region, which tends to be a minor factor at best, emerges more strongly when the focus is on cities with low elasticity. Among that subgroup, frostbelt cities tend to have a higher proportion of vacant land while sunbelt cities have more abandoned buildings. Region also has explanatory value for the number of abandoned structures in cities with declining economies.

Ann O'M. Bowman is professor of government and international studies at the University of South Carolina in Columbia. Contact: bowman-ann@sc.edu. **Michael A. Pagano** is professor of political science at Miami University, Oxford, Ohio. Contact: paganoma@muohio.edu.

WP98AB1, 78 pp., \$14.00

A Methodology for Valuing Town Conservation Land

This paper presents a methodology for rating existing or potential conservation land according to ten criteria weighted to reflect the needs of the local community. The ratings may be used to determine priority for public acquisition. The methodology may also be used to establish a dollar "replacement value" for an existing parcel of conservation land, reflecting both

its market value and its value for other public interests such as conservation, recreation, views or resource protection. The replacement value may be used as a starting point in negotiations for compensation in the event that the parcel is removed from conservation land status through eminent domain or other mechanism. The paper includes a valuation worksheet to calculate the conservation rating, conservation value, market value and replacement value.

Pamela J. Brown, AICP, is director of the planning group of Beals and Thomas, Inc., an environmental and planning consulting firm in Westborough, Massachusetts. Contact: pbrown@btiweb.com. **Charles J. Fausold** is executive director and an extension educator with the Cornell Cooperative Extension Association of Schuyler County, New York. Contact: cfausold@cce.cornell.edu. WP98PB1, 24 pp., \$9.00

Policies and Mechanisms on Land Value Capture: Taiwan Case Study

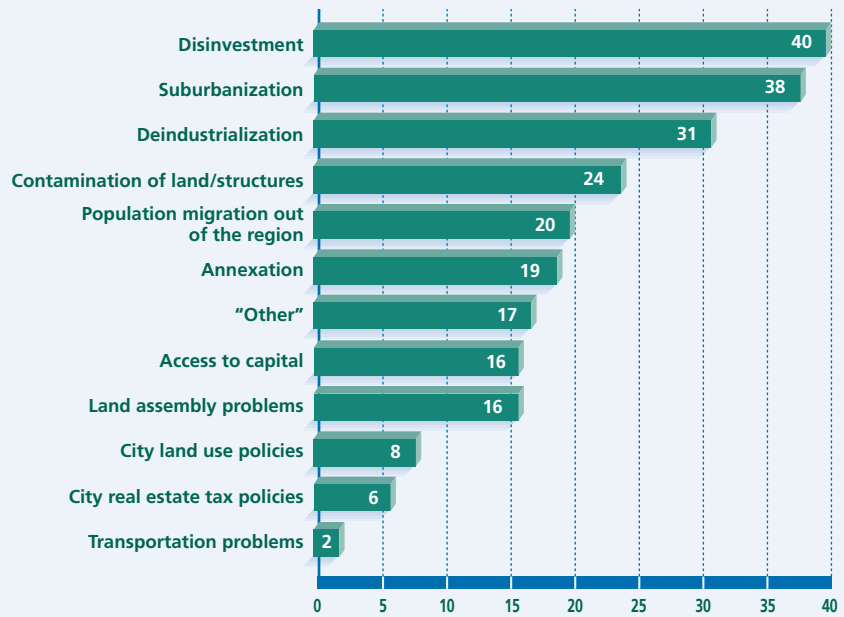
This paper reviews government policies on capturing and distributing the profits of land value increases in Taiwan. Based on the political ideology of the country's founding father, Dr. Sun Yat-sen, the government adopted two sets of techniques over the past 40 years to carry out value capture policies: land-related taxation and land use regulations. Land taxation techniques capture profits after land values have changed, while land use regulations capture the potential profits based on predicted land value changes in the future. This paper examines these techniques in the context of different economic, political and social circumstances to better understand the initiation and the effectiveness of these policies.

Most of the techniques were successful in certain time periods, but became less effective or even contradictory later. It is a challenge for the government to use the correct techniques to capture the tremendous wealth created from rapid urbanization. It is also a challenge to reform these policies when they are no longer effective. Comparisons of these value capture policies offer a good reference for policymakers in other countries to undertake future actions on capturing and distributing benefits from land development.

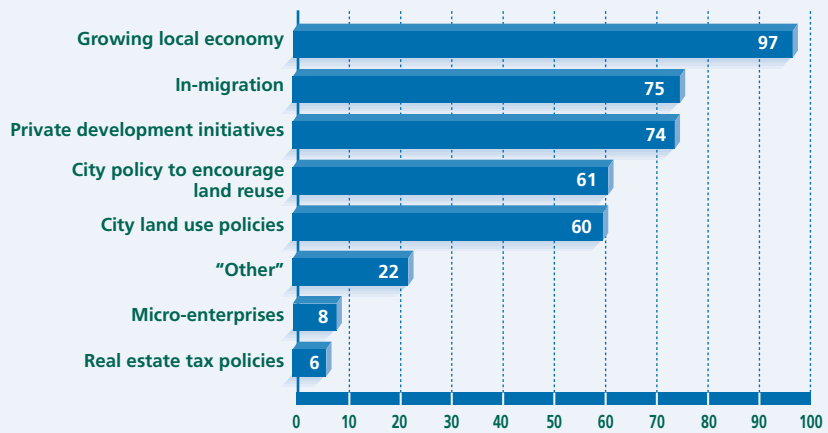
Alven Lam, a fellow of the Lincoln Institute of Land Policy, conducts research and training programs in the areas of urban development and land taxation. Contact: alvenlam@lincolninst.edu. **Steve Wei-cho**

Reported Causes of Changes in City Vacant Land Supply

Cities in which the amount of vacant land INCREASED during the past decade:



Cities in which the amount of vacant land DECREASED during the past decade:



Source: Ann O'M. Bowman and Michael A. Pagano, "Urban Vacant Land in the United States," 1998. Lincoln Institute of Land Policy Working Paper.

Tsui is professor of economics and public finance in the Department of Public Finance, National Chengchi University, Taiwan. Contact: steve@cc.nccu.edu.tw.

WP98AL1, 42 pp., \$9.00

Land Readjustment for America: A Proposal for a Statute

This paper endeavors to apply to American conditions the considerable body of experience with land readjustment in foreign countries, as described in previous publications of the Lincoln Institute by Professors Doebele, Minerbi, Schnidman and others. Following a brief summary of foreign experience, the author provides a draft statute that is designed to address practical problems in the implementation of land readjustment under American

conditions. Sections deal with such issues as the rights of mortgagees, tenants and taxing authorities, and timing and valuation.

George W. Liebmann is an attorney with the Law Offices of Liebmann & Shively, P.A., Baltimore, Maryland. Contact: 410/752-5887.

WP98GL1, 28 pp., \$9.00

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Programs in Land and Building Taxation

Joan Youngman

The Lincoln Institute's Program in the Taxation of Land and Buildings seeks to assist policymakers in all phases of developing, administering and reforming value-based taxes on real property. Unlike sales taxes or taxes withheld from income, property taxes are highly visible targets for anti-tax sentiment and political discontent. This visibility places special burdens on the design and implementation of property taxes, but also engages a level of political debate and dialogue that other taxes generate only in times of crisis. The Institute's taxation curriculum encompasses a variety of education programs that address each phase of the tax.

Developing a New Tax System

This fall the Institute presented a seminar for a group of tax officials from Poland who are drafting legislation for that nation's first value-based property tax. The delegation, which included members of Parliament, representatives of local government and officials of the Ministry of Finance, spent one week in the United States on a study tour sponsored by the U.S. Agency for International Development.

Their discussions at the Institute focused on the special nature of property-based taxation and its impact on land markets and property rights. Institute Fellow Jane Malme led these sessions and arranged for the participants to meet assessing officials in Cambridge and Boston and members of the Massachusetts Department of Revenue. Institute Vice President Dennis Robinson, who advised the government of Crakow on property taxation several years ago, reviewed institutional questions concerning data gathering, property records and cadastre modernization. Each of these modules was designed to provide specific guidance for legislative drafting and implementation strategies.

Interpreting and Administering Tax Systems

In September, the National Conference of State Tax Judges met at the Institute to study the application and interpretation of existing tax legislation. This annual meeting permits tax judges in different states to

share experiences, exchange information and study new topics affecting ad valorem taxation. Several judges made presentations on current developments in their states, and invited speakers lectured on such topics as the use of property taxes in public school finance, the valuation of wetlands and conservation areas, and the effects of deregulation on the taxation of public utility property. The judges also considered proposals for using the Lincoln Institute website to permit them to pose questions or share information with colleagues in other state tax courts.

Dealing with Tax Revolts

Two Institute programs this fall addressed the political problems of value-based taxes in times of rapidly changing prices. At the annual conference of the International Association of Assessing Officers (IAAO) in September, the Institute presented a program on tax limitation measures. Jane Malme reviewed electoral questions and ballot initiatives on this topic, and discussed their status under state constitutional provisions governing property taxes. For example, a recently approved provision in the state of Washington, which would phase in large value increases over a number of years, was held by the state Supreme Court to violate the state's constitutional requirement of uniformity in taxation. Dominic Calabro, president of Florida Tax Watch, analyzed some intended and unintended consequences of his state's "Save Our Homes" initiative, which prevents the assessed valuation of homestead property from rising more than three percent a year until it is sold.

Gary Cornia, a professor at Brigham Young University's Marriott School of Management and chair of the Utah Tax Review Commission, brought both an academic and a policy perspective to Utah's experience with rapid property value inflation. Not surprisingly, the state faces proposals to limit annual assessment increases in a manner similar to that adopted in Florida. Cornia discussed earlier tax-limitation measures ruled unconstitutional by the state court, as well as the effect of "truth in taxation" legislation requiring public notice and approval of tax increases. The session also addressed other potential

responses to price volatility concerns, including adjustments in tax rates, efforts to increase assessment accuracy and tax deferral programs for low-income residents.

Another Lincoln Institute program specifically tailored for Massachusetts assessors considered the application of these concerns, which continue to be highly relevant in the state that approved Proposition 2 1/2 to limit property taxes. A recent *Boston Globe* headline attested: "The Property Tax Squeeze: As Values Soar, Officials Rush to Cut Burden."

Relationships Among Tax Programs

Each of these courses considered policy challenges posed by different phases of taxation. However, there are important areas in which the experience of one segment can illuminate questions raised by another. For example, the issues of data gathering and dissemination that Dennis Robinson discussed with the visiting Polish officials arise in the context of a mature tax system as well. The Lincoln Institute and the Massachusetts Institute of Technology cosponsored a one-day seminar in October to explore data issues with respect to geographic information systems and computer-based technology.

Similarly, the issues of interpretation and application faced by the state tax judges are relevant to officials seeking to draft a new tax law. The experience of countries in central and Eastern Europe with land taxation is of interest to many domestic observers, and the Institute will present comparative information on this topic to the National Tax Association in November.

Finally, at the most basic level, the fundamental questions confronting officials seeking to institute a new property tax—its economic, political and land use benefits—must also inform policy responses to tax reform and limitation measures. Otherwise these amendments and mitigating measures may undermine the goals of property taxation and the values that led to its adoption in the first place. □

Joan Youngman is a senior fellow of the Institute and director of the Program in the Taxation of Land and Buildings.

Institute Publishes 1998–1999 Catalog



The Lincoln Institute has published its annual catalog incorporating descriptions of three program areas and listings of all its courses and conferences, curriculum development and research projects, dissertation fellowships, and publications. This illustrated 60-page catalog offers a comprehensive overview of the Institute's mission and its activities for the current fiscal year.

If you wish to receive a copy of the 1998-1999 catalog, please email your request with your complete mailing address to help@lincolninst.edu. Please allow three to four weeks for delivery. Most sections of the catalog are also posted on our website (www.lincolninst.edu) for easy reference.

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Lincoln Institute of Land Policy
113 Brattle Street, Cambridge, MA 02138-3400

Phone: 617/661-3016

Fax: 617/661-7235

Email: annleroyer@lincolninst.edu (editorial content)
help@lincolninst.edu (information services)

Web: www.lincolninst.edu

Editor
Ann LeRoy

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H. James Brown

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Design
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