

The shift from building to land taxes, says Gaffney, would "so change the arithmetic of property ownership that no subsidy at all should be needed to make it profitable for the owners of almost all parking lots and obsolete decaying or inadequate buildings . . . to replace them with new buildings." The stimulating effects will be greatest where land values are highest—in downtowns and other growth centers.¹¹²

Examples of completely untaxing buildings in the United States are confined to two atypical enclaves, Fairhope, Alabama and Arden, Delaware.¹¹³ Although the strongest proponent of land value taxation, Henry George, was born in Philadelphia and wrote *Progress and Poverty* in San Francisco, one must turn to the Far East to see the fullest applications.

In Taiwan, according to Archibald Woodruff, who is a member of the Land Reform Training Institute there, the states rely heavily on land taxation as one of their kit of tools for keeping cities out of precious farmland. Moreover, if the annual land taxes do not prod urban land into production, an additional capital gains tax is applied which becomes more severe the longer the land is vacant. The result is that "it is a pretty expensive game to play with underused land" in Taiwan cities.¹¹⁴ Farmland in Taiwan is taxed according to the potential productivity of the various grades of land.¹¹⁵

In New Zealand, some 80 percent of the local jurisdictions have adopted land value taxation with buildings completely exempt. The shift to this form of tax occurs only after a vote of property holders—suggesting that most landholders are eager to see productive activities rewarded and speculative gains suppressed.¹¹⁶

The majority of Australian localities also exempt buildings from property tax. The level of local taxation in most of Australia, however, is too low to be comparable to the American case. But in Sydney, the central business district has been subjected to a 5 percent land value tax for some years. The extent of private redevelopment has been dramatic, in terms of compactness as well as in hundreds of millions of dollars invested. In Melbourne, a city of the same size but with American-type property taxes, business development is more scattered, and more central sites remain dormant with obsolete buildings.¹¹⁷

The need in many U.S. states for either permissive legislation or constitutional amendments before land and building taxes can be treated differently will determine how rapidly states and localities can move to exempt housing and other buildings from property taxation. Yet this approach—land value taxation—appears to be one of the essential elements for containing sprawl and renewing cities.

e. Adopting tax base sharing

For no fault of the property tax as such, its use by balkanized and overlapping jurisdictions makes it an instrument of fiscal mercantilism. Competing jurisdictions try to attract residents and firms that add to the tax base and discourage those that will presumably be a drain on public services. This engenders tax enclaves, exclusionary practices, and discrimination in the provision of public services. Exploit-thy-

¹¹² *Ibid.*, p. 243.

¹¹³ Walter Rybeck, "Site Value Taxation," *Journal of Housing*, Vol. 34, No. 9, October 1977.

¹¹⁴ Compact Cities hearings, p. 426.

¹¹⁵ Shih-Ko Shen, "Land Taxation as Related to Land Reform in Taiwan," International Seminar on Land Reform in Developing Countries, Lincoln Foundation, Phoenix, 1966, pp. 334-38.

¹¹⁶ Rolland O'Reagan, Rating in New Zealand, Slade Ltd., Wellington, N.Z., 1972.

¹¹⁷ R. W. Archer, Site Value Taxation in Central Business District Redevelopment, Urban Land Institute, Washington, D.C., 1972.