College and Community Interactions | Property Tax Exemptions | Growth in Western Cities | Value Capture

Land Lines

JULY 2003

Newsletter of the Lincoln Institute of Land Policy

Land Lines

JULY 2003 • VOL. 15, NO. 3

Features

Departments

The Lincoln Institute of Land Policy is a nonprofit educational institution established in 1974 to study and teach land policy and taxation. By supporting multidisciplinary educational, research and publications programs, the Institute brings together diverse viewpoints to expand the body of useful knowledge in two departments—valuation and taxation, and planning and development—and in the program on Latin America. Our goal is to make that knowledge comprehensible and accessible to citizens, policy makers and scholars in the United States, Latin America and throughout the world. The Lincoln Institute is an equal opportunity institution in employment and admissions.

Land Lines is published quarterly in January, April, July and October to report on Lincoln Institute-sponsored education programs, publications and special projects.

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

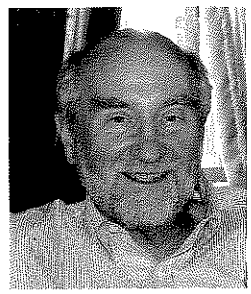
Tel: 617-661-3016 Fax: 617-661-7235

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

Web: www.lincolninst.edu

Cover: Las Vegas at night
© Photodisc

From the PRESIDENT



Jim Brown

As we complete one academic year and plan for the next, I am impressed by the richness and multidimensional nature of the Lincoln Institute's educational programs. We have developed a strong curriculum in two departments and in our Program on Latin America and the Caribbean. Most of our planning efforts for 2003–2004 are focused on consolidating and improving what we have established, but I thought it might be instructive to discuss some new initiatives that illustrate our forward thinking. The program is described fully in the Institute's catalog, which will be available by late summer (see page 4).

There are a couple of new efforts in the Department of Planning and Development that I find especially exciting. The first involves documenting the relationship between land price changes and problems associated with providing affordable housing, and then using that research in a variety of educational programs to explore the effectiveness of policies to improve housing affordability. The second effort seeks to develop links among several one-day courses so they can be consolidated into longer, richer experiences for both faculty and participants.

We have offered a basic curriculum in the Department of Valuation and Taxation for several years, and we are continuing to enhance the program by developing additional second-level courses to supplement the introductory offerings. One such course will help participants develop the statistical and economic skills necessary for using mass appraisal techniques to measure land value, as part of our two-rate tax program.

The faculty, participants and Lincoln staff have been so enthusiastic about the week-long seminars offered at Lincoln House for our Latin American colleagues that for next year we are scheduling some refresher courses in Latin America for former participants, as well as some short introductory sessions for those who would like some orientation before attending the full-length courses in Cambridge.

Finally, everyone on our staff is trying to find ways to use the new technology to improve our effectiveness in getting information to those who need it. Over the past year our website has been redesigned and enhanced to provide easy access to information about courses, publications and other educational products, as well as online ordering options. In addition we now have more than 330 working papers and more than 350 *Land Lines* articles in English and Spanish that can be downloaded quickly from our website. Our Planning Fundamentals course for local planning and zoning board members is available on the web, and companion versions have been modified for users in Vermont and Montana. We are also investigating other ways to use technology to help participants prepare for our face-to-face courses, to interact after attending courses, and to provide course materials for those who are unable to attend the course sessions.

I am proud of the many ways the Institute is providing assistance to practitioners, professionals and others involved in land and tax policy so they can do their jobs better. If you have ideas about other things we can and should be doing, please let us know.

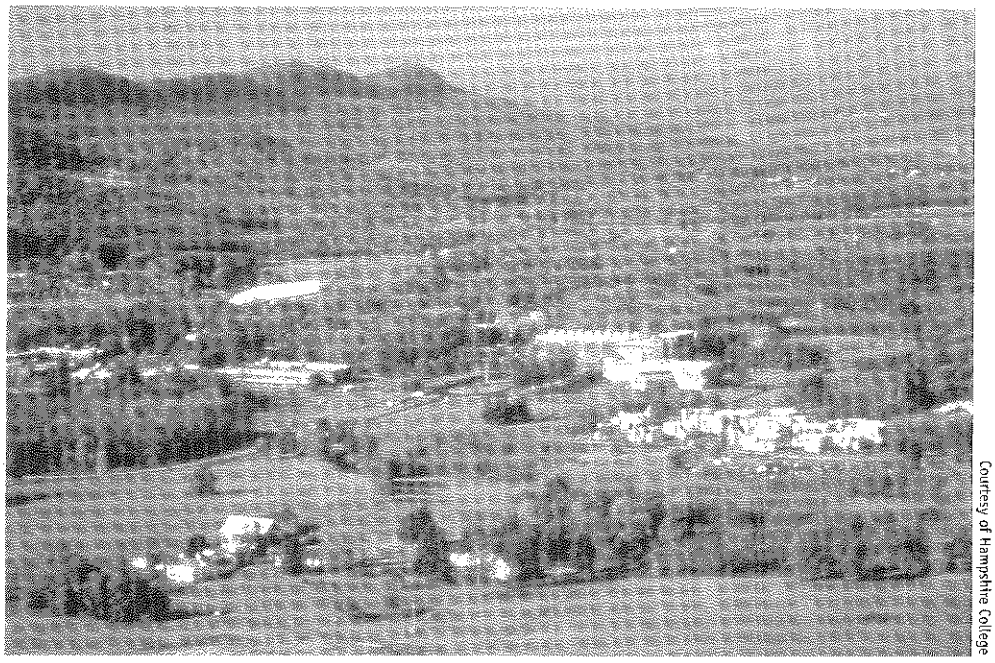
Principles for College and Community Interactions

This article is adapted from a keynote address delivered by President Gregory S. Prince Jr. of Hampshire College in Amherst, Massachusetts, at a Lincoln Institute–sponsored conference in May 2003 at Lincoln House. Focusing on the topic "Universities as Developers," the conference brought together some 40 college and university presidents and administrators who deal with real estate and development issues for their institutions.

GREGORY S. PRINCE JR.

"How do you build a relationship between an institution and the community in which it lives, in all of its forms?" This is a topic that I have struggled with for more than the 14 years I've been at Hampshire; building these relationships is an incredibly interesting process. I'm going to describe some of the salient points that have influenced the way I work on Hampshire's community relations. It is not coherent. It does not start with a grand design. Rather, it's inductive, based on my experiences and my observations. In addition, this interaction, this back and forth between thoughts and actions, between the college and the community, has been an important part of my own ongoing education about this critical topic.

This process for me began when I worked at Dartmouth College for 19 years. One of the things I found extraordinary at Dartmouth, which is so different from Hampshire, is that Dartmouth is taxed like any other institution, for profit or not, in the state. Because New Hampshire does not have the income tax or the sales tax, the town of Hanover is permitted to impose a property tax on all nonacademic facilities at the college. This tax policy has been in effect for decades, so it is an accepted part of life. People struggle over all the same issues that any academic community faces, but the conversation in town meetings is quite different when the college is paying just like anybody else. Granted, in Hanover, tax dollars go to the schools where the faculty send their own children, so they have a vested interest. But, I saw a relationship between the college and the community that I found very healthy.



Courtesy of Hampshire College

A view of the Hampshire College campus and surrounding farm and forest lands.

When I came to Hampshire College in 1989, everyone was talking about PILOTS (payments in lieu of taxes). I hadn't thought much about PILOTS until I found out that the University of Massachusetts was making these payments to the town, and the town manager wanted Hampshire and Amherst College to start paying as well. So I learned to talk about PILOTS, but I felt there was something intrinsically shortsighted about the arrangement because it was based on a very narrow conversation about money and not about needs. Both Hampshire and Amherst colleges have made contributions to the town of Amherst for certain items, but we have not called them PILOTS, and we have not made them on a regular basis. Now, I am not saying that when a college or university does make a payment in lieu of taxes to a city it is necessarily a sign of an unhealthy relationship. All too often, however, the negotiations about what schools ought to pay to their host communities focus on the cost of police protection or snow removal, for example, rather than what it means to be part of a community with the rights and obligations that accompany citizenship, what are some of the critical needs of the community, and which ones could the institution most effectively address.

As I tried to figure out how to change the conversation, I wanted all of us to understand that we were having a dialogue. That is, when I'm having a conversation at Hampshire about the town, or with the town about Hampshire, I need to acknowledge that UMass and Amherst College

are also part of the conversation. Wherever possible, we make sure that all three of us are communicating with the town; admittedly, this four-way conversation is complicated. I found in the process that the real discussion was about how to build sustainable communities. At Amherst College or UMass, sustainability is viewed differently than at Hampshire, a 33-year-old institution with little endowment. We need to figure out how to sustain our college over the long term within these different, complicated relationships. The PILOT conversation never seemed to quite get at that issue, so we've tried to expand it.

Broadening the Conversation

Two very different sets of experiences influenced my thinking about how to enrich the conversation with the community.

Urban Conferences

When I first arrived at Hampshire, I received a phone call from the chief counsel for the Transit Police in New York City, whom I had taught years before. He asked if Hampshire College would host a conference in association with the International Association of Chiefs of Police, bringing together representatives from several large urban communities. My first question was, "Great, but why Hampshire?" The response was that at that time, in 1989, people like Lee Brown (former police commissioner in New York City and now mayor of Houston) and Bill Bratton (former police chief of Boston and New York City, and now police chief of Los Angeles) felt that America had lost its cities but didn't know it, and they were trying to figure out how to talk about it. They wanted to meet at Hampshire because it was the last place in the United States one would think would work directly with the police. The partnership that emerged between Hampshire and the International Association of Chiefs of Police did send a signal, and people noticed.

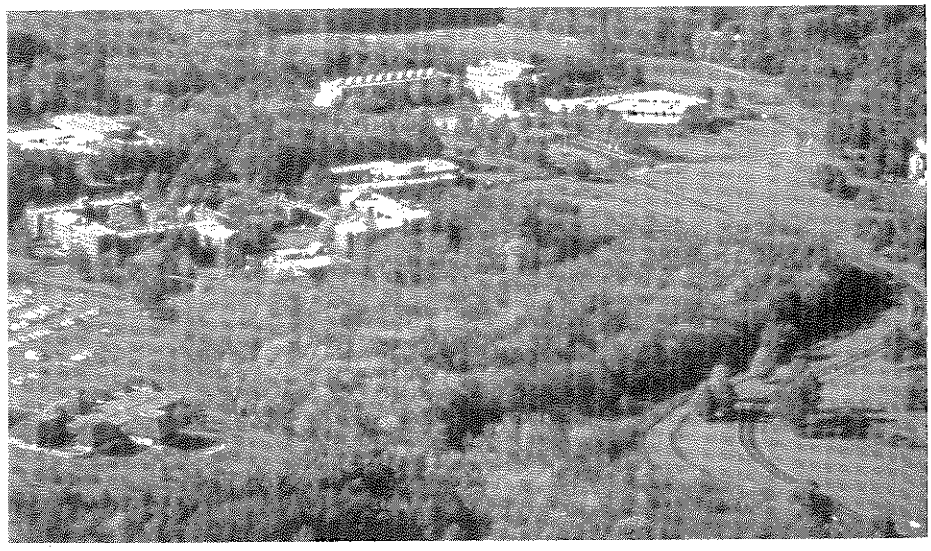
The conference brought together not just law enforcement officials but also the heads of all the major departments of ten major U.S. cities. Los Angeles dropped out at the last minute because of the Rodney King incident, but Atlanta, Boston, Chicago, New Haven, New York City, Phoenix, Seattle, Springfield and Tulsa were involved in the first group; other cities attended subsequent meetings. The police chiefs did not want mayors to come, because they wanted free and open discussion across professions and across cities. Because Hampshire paid for the conference, we were able to bring students into the process.

Among the most important outcomes of these conferences over several years was the creation of a forum for people involved in community schools, community policing, community health and other areas who never had a chance to converse, and that included the Hampshire students who contributed to an intergenerational discourse. In the first conference, we divided all the participants into groups, mixing professions and cities, and we gave them a four-block area of a fictitious city. Each group had three hours to write a proposal to a foundation on how they would use those city blocks to restore or revive the most problematic part of the city. They had access to unlimited funds, but out of the process came two critical principles that actually had very little to do with money and had everything to do with how people talk to one another and collaborate: the need to have conversations across professions and across community boundaries; and the need for every older adult committee or commission to have a younger counterpart organization. Guess who thought that one up? The students wanted to find a way to generate networks and initiate conversations in which common plans could be developed; they understood that no plan was going to succeed without that kind of cross-generational ownership. They came away with the realization that there is no single answer to what gets done; what is most important is how it gets done. Having conversations across boundaries, be they professional, historic, generational or institutional, may be the core value and core practice of community building.

We had three of these conferences over three years, and I think they had a profound effect on the strategic ways that people like Bratton and Brown and other law enforcement officers and community leaders changed their communities. These same principles of open conversation should be built back into relationships between colleges and universities and their communities. It's not just about PILOTS or taxes. It's about how you generate a conversation so that everybody is part of the process, respects the outcome and is committed to the sustainability of the community.

Cultural Village

The second set of experiences also began in my first year at Hampshire, a lovely campus of 1,200 students surrounded by 800 acres of farmland in Amherst, a small New England town in the western part of the state. Amherst also hosts the Univer-



Courtesy of Hampshire College

The Hampshire College campus, with the National Yiddish Book Center on the lower left.

sity of Massachusetts, a major state land-grant university with over 20,000 students, and Amherst College, with 1,600 students. A bus system links the colleges with the town, but many students complained to me that they were "in a little teenage encampment." They wanted older adults and more activity around them so they could feel more connected to the community.

As I talked with people in the town and attended meetings on economic development issues, I learned that Amherst was fairly hostile to development. Lack of development intensified the feeling among town leaders that PILOTS were the possible recourse. As I began to understand that perceptions, strategies and concerns about development underlay the conversation about PILOTS, I, in a clearly self-interested way, began to look at land. Could land possibly help the community, since Hampshire had an abundance of land relative to available cash? Our land actually held the seeds for new possibilities in the form of creating a "cultural village."

After many years of planning and negotiating, the grounds of Hampshire College are now being transformed into a center for nonprofit cultural and educational institutions that create more activity for the students and more economic activity for the town. The National Yiddish Book Center became the first new development when, in the early 1990s, it was looking for a new home. The center's director, Aaron Lansky, is a Hampshire alumnus and he wanted to stay in Amherst where he had started the center. It took six years to persuade the boards of the college and the center to agree, but the center now has an absolutely gorgeous building with 40,000 volumes in the library. It runs tremendous events, bringing people together from all over the world. Hampshire College didn't pay for it; the Book Center paid for it. But its building, its facilities, its activities and its staff are on our campus, enriching our life, putting people into our dining room, creating a more interesting intellectual environment for our students, creating economic activity for the town, and not using land that could otherwise be taxed.

The second member of the cultural village, the Eric Carle Museum of Picture Book Art, opened in the fall of 2002. One may well ask, "What does it do for Hampshire College to be the site of the first picture-book art museum in the U.S.?" The 40,000-square-foot building sits on land that Hampshire donated, but Eric Carle, the author of *The Very Hungry Caterpillar*, endowed the museum. It employs 18 people, including some of our students. So we're enriching the faculty and cultural resources for our students, and the town of Amherst gets a large museum to sustain its economic base while limiting environmental impact on its land resources. Only 25,000 museum-goers were expected in the first year, but more than 40,000 attended in the first four months, bringing vitality to both the town and the college.

Intergenerational Viewpoints

These two experiences—developing the cultural village and learning from the urban conferences years before—make me feel that even though Hampshire is in a rural area, the principles that have guided community outreach are replicable even for large universities in urban environments. The key is to generate a conversation that crosses boundaries and in so doing weakens those boundaries. The process is ongoing and has led to many interesting new conversations.

Recently the town of Amherst approached me about developing open space on the edge of the campus for a commercial village center. The area now houses a well-known farm stand, but the town wanted to expand the amount of commercial activity. Through open conversation with the community, college trustees, students and residents, the land was purchased and given to Hampshire with the proviso that it be used to generate income to support the college. At the first public hearing on what to do with the land, we invited the entire community. All ages were present. A group of Hampshire students came to the meeting intending to argue against development; they wanted the area kept as open space. However, the first citizens to speak were in their 70s and 80s; they tore us apart about how terrible it would be to develop this area and how they had bought their apartments nearby because of this open beautiful land. In truth, their retirement community had been built while I was the president of the college, so I knew it, too, had been built on open land. Their attitude was, "we're here and now we don't want any more development." The students understood these arguments, but found themselves thinking about how they wanted to behave when they were 75 years old. They didn't want to imagine themselves as being opposed to growth and change, so this intergenerational conversation made a huge difference in their attitudes. Talks have continued and the plan is still in development, with a target date of spring 2004 to present it at town meeting.

Principles of Sustainability

Developing the cultural village and new developments in academic curricula converged to make sustainability an increasingly important issue. Suddenly, the cultural village was also becoming a laboratory. When the faculty, in response to issues in the cultural village, proposed seeking funds to do a sustainable campus plan focusing on the natural environment, I suggested that the most important principle in the plan be sustaining Hampshire College. My statement generated a very constructive conversation about what sustainability should mean for Hampshire. Let me summarize the principles that we developed.

1. The core goal in planning for the college must be the school's long-term sustainability as an educational institution committed to providing students with the most constructively transforming liberal arts education possible.

2. In pursuing the first goal, the college must strive for human sustainability —for maintaining and enriching our capacity to live well together, for providing for the economic well-being of those who work at the college, and for nurturing their creative spirit and sense of fulfillment that comes from working at the college.

3. In pursuing the educational and social goals, we must recognize the fundamental relationship between the goals and

the physical environment, and strive to achieve the sustainability of that physical environment to the greatest extent possible.

4. In pursuing the core goals of sustaining the college as an educational institution, we must strive to ensure that as an institution, independent of what its graduates accomplish, what we do makes a difference locally, nationally and internationally. Success in achieving the first three goals will ensure that we take a significant step in achieving the fourth goal. In effect, our primary aim is to provide the best education we can. We must model the behavior we expect of our graduates.

5. In pursuing educational and social sustainability, we must encourage entrepreneurial activity, invention and innovation, even if it entails the risk of failure.

6. In sustaining the human spirit of the college community, economic needs must be met, but with the recognition that we must also offer a meaningful mission, a stimulating and creative intellectual environment, and a supportive and enriching physical environment.

7. In seeking to create a sustainable, healthy and enriching social environment, the practical must be balanced with the artistic, the physical and rational with the contemplative, the values of individualism with those of community, and the needs of the college with those of the larger community.

8. In seeking to create a sustainable physical environment, efficient use of energy should be the highest priority, followed by other resource uses and resource disposal. Appropriate land use must be made another high priority. In maintaining the physical plant, we should consider the ease and efficiency of maintenance in terms of those who perform the work, as well as the level of resources needed to carry it out.

9. Wherever possible, physical infrastructure changes should include visible demonstration or interactive educational displays designed to educate about sustainability.

10. The cost of innovations in programs or in the physical environment should include the endowment required to ensure that those who follow us will not be burdened with their maintenance. The projects should be designed so they can be converted to other uses, removed or terminated.

The Board of Trustees reviewed the ten principles of sustainability, then challenged us on how we will interpret and implement them. In the process of working on these discrete tasks, additional guidelines began to emerge:

1. Process is important: conversation and explorations can uncover interests as opposed to positions.

2. Geography matters. It may not be destiny, but it has a great deal to do with it and how you have to build and grow.

3. Focus on the culture, the economy and the environment comprehensively, not as separate subjects in conversations and plans, and involve them early.

4. Involve the community.

5. Involve young people, especially high school students, in any community planning.

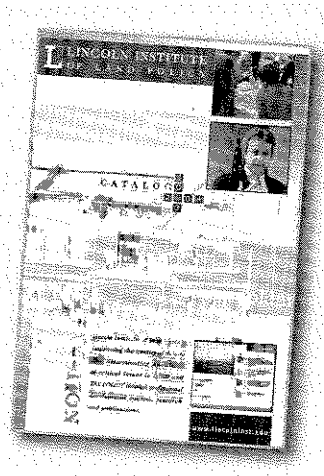
6. Promote interdependence.

While these guidelines answer some questions, I struggle with other questions. One of particular importance to me is the issue of contiguity. Do our endeavors need to be within our current campus or town or can we successfully move into other communities? The five colleges in the region (Amherst, Hampshire, Mt. Holyoke, Smith and UMass) already work together on many joint programs and all of us have done a great deal of work in Holyoke, a small city about 15 miles south of Amherst that exemplifies all the problems of urban America.

We spent a lot of time trying to encourage UMass to move its art department to an old warehouse in Holyoke. We felt it would be a major boost to the community, but it looks as though it will not happen for equally legitimate reasons. Moving an academic department geographically from the rest of the academic community will increase intellectual isolation and fragmentation. Other ideas include building a five-college dormitory in Holyoke, and that possibility raises equally complex questions related to contiguity and community citizenship.

In both projects the issue is what makes up contiguity. Do you have to always maintain your place as a central, unbroken whole, or can you move outside of your special place? That's the challenge. I think we have to. I think Hampshire has to somehow build a presence in Holyoke. We have made a huge investment there already, and I believe the city has incredible potential. I think we have to face the issue of opening ourselves up physically, not just maintaining the boundaries of our space but carrying ourselves outside of the institution as well. But others resist. What is exciting is the conversation and the process of engaging all of the related communities in that dialogue.

GREGORY S. PRINCE JR. *is president of Hampshire College in Amherst, Massachusetts. Contact: gspPR@hampshire.edu*



2003–2004 Course Catalog

The Lincoln Institute's annual course catalog incorporates department descriptions and listings of courses, conferences, fellowships and other education programs. This illustrated publication offers a comprehensive overview of the Institute's mission, its activities and faculty for the current academic year.

To request a copy of the catalog, please email your complete mailing address to help@lincolninst.edu or call 1-800-LAND-USE (1-800-526-3873). Updates and additions to the course offerings are posted on our website (www.lincolninst.edu) for easy reference.

Reexamining the Property Tax Exemption

H. WOODS BOWMAN

Government-owned property is exempt from local taxes almost everywhere in the United States, but this situation is based less on logic than on now-outdated historical considerations. Remarkably, there are no comprehensive estimates of the value of these exemptions. For comparison, the value of property tax exemptions for nonprofit institutions (excluding houses of worship) was about $900 billion in 1997, and charitable properties (including hospitals and universities) accounted for about $500 billion of this figure (Cordes, Gantz and Pollak 2002, 89). Even without comprehensive data, it is clear that the amount of government-owned land is vastly greater than nonprofit holdings. However, the exempt status of government land barely provokes complaint (except in the western states where federal landholdings are enormous) whereas exemptions for nonprofit organizations are frequently challenged.

Historical Background and Federalism Today

Government-owned property traditionally has been exempt from taxation in order to avoid an empty ritual whereby the sovereign taxed itself. The implicit assumption of a single sovereign was quite reasonable in Elizabethan England, where the property tax first took root, but not so in the U.S. today. The myriad school districts and special districts that now compete with counties and municipalities for property tax revenues were virtually nonexistent in the nineteenth century. Today there is no economic reason to exclude all government property from the tax base.

Exemptions for private, nonprofit entities grew out of the government exemption. In the seventeenth century, private parties did not always wait for the Crown to repair their bridges, causeways, seawalls or highways. They assumed this responsibility whenever self-interest required and the purse permitted. The capital-intensive nature of such activities that relieved government of a burden made a property tax exemption a logical tool for encouraging private initiative. Thus the first charitable exemptions were a type of quasi-government exemption, subsidizing private parties who discharged public responsibilities.

Charitable exemptions for the alleviation of poverty began as a separate category, because reducing poverty was not originally considered a government responsibility. The change in this attitude over time had the effect of diminishing the distinction between alleviating poverty and relieving government of a burden, but these remain two separate bases for the charitable exemption. Before the New Deal of the 1930s, U.S. counties had the primary governmental responsibility for poor relief, through maintaining almshouses and work farms. The principal public expenditure required for them was for land and construction, since the residents did the day-to-day work of running these facilities. In this situation, a property tax exemption made sense. If a charitable organization did not build such a facility, the responsibility would fall to county government and would be funded through property taxes. It was easy to see a clear and convincing connection between the alleviation of poverty, relief of a government burden and a property tax exemption.

Modern U.S. federalism has undermined these connections. There is no single sovereign now, but rather 87,000 units of government, including 19,000 municipalities, 16,600 townships and towns, 3,000 counties, 13,700 school districts and 34,700 special districts, which often overlap in complex ways. The property tax is virtually the sole source of internally generated revenues for school districts and special districts. A government exemption can be administered so that no unit of government need pay taxes to itself, while taxpayers outside the taxing jurisdiction who benefit from the property would pay the tax.

Valuation of unique government property and infrastructure is a problem, but it is not insurmountable. A new addition to generally accepted accounting principles requires local governments to carry on their balance sheets the depreciated value of their physical assets, including infrastructure, which can be a starting point for valuing such property. Already local government property is taxable in 11 states, provided it lies outside the owner's boundary. For example, a reservoir owned by a water district can be taxed by the town or county where the reservoir is located, and the tax can be collected through increased water rates charged to the utility's customers.

As long as government property is exempt, the case for charities is strengthened.

The strong consensus in favor of exempting government property is due to inertia, power and precaution. The federal government has vast landholdings, collects no property taxes, and therefore would oppose any tax on government property. Besides, the Constitution shields it. State governments also have extensive holdings and do not benefit from property taxes to any significant degree, so they too would oppose taxing government property. Local governments, special districts and school districts would be the net beneficiaries if government property were taxed, since their own property holdings are small in comparison to federal and state governments, yet the property tax provides almost 40 percent of their revenue (U.S. Census Bureau 1998).

Charitable Exemptions as Sovereign Exemptions

As long as government property is exempt, the case for charities is strengthened. Evelyn Brody (1998; 2002) argues that the states, by conferring benefits of sovereignty on nonprofit institutions, are acknowledging the underlying independent, self-governing nature of those institutions. "Tax exemption carries with it a sense of leaving the nonprofit sector inviolate, and the very concept of sovereignty embodies the independent power to govern" (Brody 1998, 588). Under federal tax law, neither charitable institutions nor local governments are taxed on net income, contributions or interest income from bonds, but both are taxed for payments made for services rendered. Considering charitable nonprofit institutions as quasi-sovereign allows us to make sense of "the rules in the tax scheme that operate to curtail rather than enhance the economic strength of the charitable sector. After all, rival sovereigns rarely feel comfortable letting the other grow too powerful" (Brody 1998, 586).

The U.S. Supreme Court, in *Walz v Tax Commissioners*, 397 U.S. 664 (1969), supports the position taken by Brody: "[Exemption] restricts the fiscal relationship between church and state, and tends to complement and reinforce the desired separation *insulating each from the other* (emphasis added)." Churches, and by extension other nonprofit institutions, are sovereigns in their own domain, which is circumscribed by a higher sovereign—state government.

Every state exempts charitable property, but the meaning of "charitable" varies quite a lot.

Conversely, arguments used to attack certain charitable exemptions can also be applied to the governmental exemption. Critics of nonprofit tax exemption focus on large, property-rich and financially strong organizations, calling them commercial enterprises (Balk 1971; Hyman 1990; Gaul and Borowski 1993). This category includes colleges, universities, hospitals and nursing homes. No state prohibits charities from engaging in commercial activities, but 8 states out of 43 responding to the survey described below prohibit charities from earning a profit, even for institutional purposes. All states prohibit the charitable owner of exempt property from distributing profit to private parties. "It is a well-established principle of law that a charitable institution does not lose its charitable character and its consequent exemption from taxation merely because recipients of its benefits who are able to pay are required to do so, as long as funds derived in this manner are devoted to the charitable purposes of the institution" (American Jurisprudence 1944).

FIGURE 1 Statutory Criteria for Charitable Organizations

Arizona requires "qualifying charitable organizations" to spend at least 50 percent of their budgets on services to state residents who receive "temporary assistance to needy families benefits or low income residents...and their households" [A.R.S. § 43-1088 G(2)].

In **Florida**, "Charitable purpose means a function or service which, if discontinued, could legally result in the allocation of public funds for the continuance of the function or service. It is not necessary that public funds [actually] be allocated, but only that such allocation is legal" [F.S. §196.012]. Houses of worship are exempt under a separate statute.

Hawaii defines charitable purposes as "community, character building, social service, or educational nature, including museums, libraries, art academies, and senior citizens housing facilities qualifying for a loan under the laws of the United States" [H.C.A. § 246-32(c)(2)].

In **Montana** charities must accomplish their activities "through absolute gratuity or grants" [M.C.A. § 15-6-201(2)(a)(i)].

In **Nebraska** charities must operate "exclusively for the purposes of the mental, social, or physical benefit of the public or an indefinite number of persons" [R.S.N.A. § 77-202(1)(d)].

A **New Hampshire** charity is one that performs "some service of public good or welfare advancing the spiritual, physical, intellectual, social or economic well-being of the general public or a substantial and indefinite segment of the general public that includes residents of the state of New Hampshire..." [R.A. § 72:23-1].

In **North Carolina**, "A charitable purpose is one that has humane and philanthropic objectives; it is an activity that benefits humanity or a significant rather than a limited segment of the community without the expectation of pecuniary profit or reward. The humane treatment of animals is also a charitable purpose" [N.C. Gen. Stat. § 105-278.3(d)(2)].

Pennsylvania requires: (1) relief of poverty; (2) advancement and provision of education, including secondary education; (3) advancement of religion; (4) prevention of treatment of disease or injury, including mental retardation and mental disorders; (5) government or municipal purposes; or (6) accomplishment of a purpose that is recognized as important and beneficial to the public and that advances social, moral, or physical objectives" [10 Penn. Stats. § 372].

A **South Dakota** public charity "must receive a majority of its revenue from donations, public funds, membership fees, or program fees generated solely to cover operating expenses; it must lessen a government burden by providing its services to people who would otherwise use government services; it must offer its services to people regardless of their ability to pay for such services..." [S.D.C.L. § 10-4-9.1].

Texas defines charity by reference to the type of activity such an organization undertakes. T.T.C. § 11(d) lists 19 activities, including: (d)(1) "providing medical care without regard to the beneficiaries' ability to pay..."

Commercial enterprises of local government are generally tax exempt, including air and marine ports, electric power generating facilities, water treatment and distribution plants, golf courses, package liquor stores and parking garages, to name a few. If commercial activity is to be the test for taxation, this should be applied evenhandedly and extend to government property as well.

A Survey of State Charitable Exemptions

Every state exempts charitable property, but the meaning of "charitable" varies quite a lot because its legal antecedents are traceable to the English Statute of Charitable Uses of 1601. Policy makers have shown considerable ingenuity in adapting an ancient law to modern needs, and ingenuity breeds variety. A Lincoln Institute-sponsored survey explored the laws in each of the 50 states to clarify the definition and application of "charitable" property tax exemptions.

As befitting a sovereign, private nonprofit institutions enjoy a constitutionally protected tax exemption in almost as many states as do local governments. The constitutions of 38 states make reference to exemption of local government or private institutions, or both. States have probably been reluctant to define charity statutorily because the judicial branch is the final arbiter of constitutional matters. Four states authorize legislatures to grant exemptions without giving specific direction; only 9 (including all 6 New England states) are silent. Specific exemptions are mandated in 27 states, and are discretionary in 16. Arizona, Missouri, Nebraska, North Carolina and Virginia are in both categories because they mandate some exemptions (usually governmental) but give their legislatures discretion with respect to other classes of institutional property.

Only 10 states have statutory definitions, and they show very little similarity (see Figure 1). Four of them define charity in terms of a public benefit, two in terms of relieving government of a burden, and one (Florida) could be placed in either category. Other individual states define charity in terms of relief of poverty or deriving income in the form of donations, or simply by listing exemption-eligible activities, with a slight overlap with relief of poverty. Five state definitions (Florida, Nebraska, New Hampshire, North Carolina and Pennsylvania) are extremely broad, which essentially punts the issue to the judicial branch.

The lack of a discernable pattern in judicial opinions arouses suspicion that courts must work backwards from a desired result to develop standards and tests. The situation today parallels the first half of the twentieth century, when bureaucrats and judges were gatekeepers to the nonprofit sector, approving or denying a petition for a nonprofit corporate charter, and they "used their control to promote the causes they believed in" (Silber 2001, 6). Awarding a nonprofit charter is now a ministerial act, but property tax exemption for charitable purposes remains subject to a variety of state laws with idiosyncratic judicial interpretations in every state. Confusion in the public debate over the charitable property tax exemption is the sure result. In devising tests, courts sometimes conflate public benefit with relief of poverty, and the result is unenforceable. Either one or the other must take precedence. Unless statutes are clear, courts are free to choose and to switch back and forth.

As befitting a sovereign, private nonprofit institutions enjoy a constitutionally protected tax exemption in almost as many states as do local governments.

The case of hospitals is illustrative. Although one will find exempt hospitals in every state, the law is ambivalent. Hospitals have constitutional protection in only 3 states, while in 17 they are exempt only because the court regards them as "institutions of purely public charity." The famous 1985 decisions in the supreme courts of Utah and Pennsylvania that undermined hospital tax exemption were health care cases. The courts concluded that the hospital (Utah) and the consortium of hospitals (Pennsylvania) were not in fact charities. Without putting too fine a point on it, the judicial remedies were based on the principle of relieving poverty.

Much angst and legal conflict could be averted if relief of poverty could be treated as separate and distinct from public benefit and relieving government of a burden, and fortunately it can be quantified. If a legislature wants a particular type of institution (e.g., hospitals) to relieve poverty, then the state should tax the hospitals, but award each property owner in the group a tax credit equal to the amount of service they give away up to their tax liability. This proposal raises the thorny question of how to measure the value of services priced below market, but the problems are surmountable (see Bowman [1999] for a method for hospital services). Solutions to these complexities are not likely to introduce the element of arbitrariness that pervades judicial decisions today.

H. WOODS BOWMAN *is associate professor in the Public Services Program at DePaul University in Chicago, Illinois. He was a visiting fellow at the Lincoln Institute in 2001 and he contributed to the Urban Institute book* Property Tax Exemption for Charities, *edited by Evelyn Brody (2002). Contact: wbowman@depaul.edu*

REFERENCES

American Jurisprudence. 1944. *Taxation* 51 § 602.

Balk, Alfred. 1971. *The Free List: Property Without Taxes.* New York: The Russell Sage Foundation.

Bowman, Woods. 1999. Buying charity care with property tax exemptions. *Journal of Policy Analysis and Management* vol. 18, no. 1 (winter): 120–125.

Brody, Evelyn. 1998. Of sovereignty and subsidy: Conceptualizing the charity tax exemption. *Journal of Corporation Law* vol. 23, no. 4 (summer): 585–629.

_____. 2002. Legal theories of tax exemption, quasi and real. In *The Property Tax Exemption: Mapping the Battlefield,* Evelyn Brody, ed., 145–172. Washington, DC: Urban Institute.

Cordes, Joseph J., Marie Gantz, and Thomas Pollak. 2002. What is the property-tax exemption worth? In *The Property Tax Exemption: Mapping the Battlefield,* Evelyn Brody, ed., 81–112. Washington, DC: Urban Institute.

Gaul, Gilbert and Neill A. Borowski. 1993. *Free Ride: The Tax-Exempt Economy.* Kansas City: Andrews McMeel.

Hyman, David A. 1990. The conundrum of charitability: Reassessing tax exemption for hospitals. *American Journal of Law and Medicine* vol. 6, no. 3: 327–380.

Silber, Norman I. 2001. *A corporate form of freedom: The emergence of the nonprofit sector.* Boulder: Westview Press.

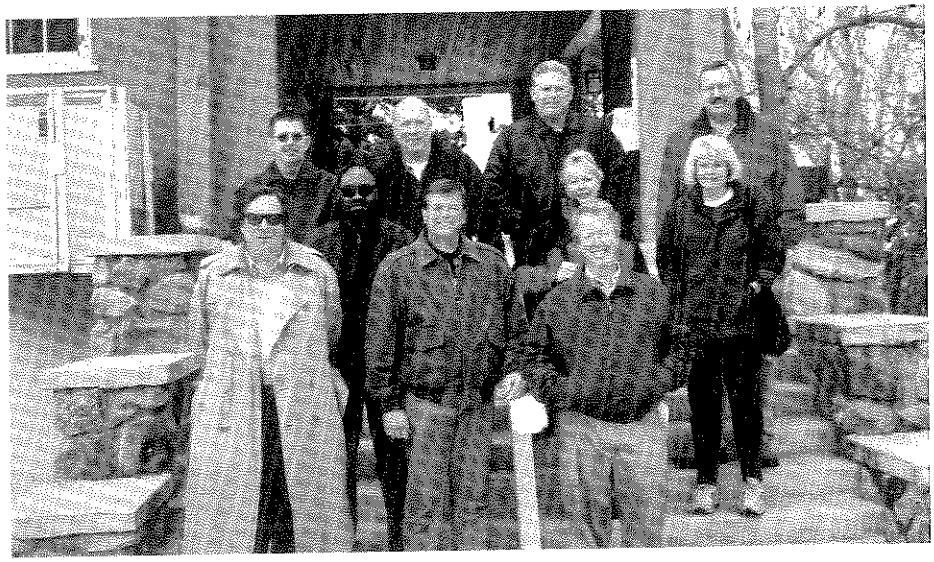
U.S. Census Bureau, U.S. Department of Commerce. 1998. *Statistical Abstract of the United States 1998,* table 500 (reporting 1995 data).

Planning for Growth in Western Cities

As part of the American Planning Association (APA) 2003 national conference held in Denver in March, the Lincoln Institute assembled a group of planning directors from large and small western cities to discuss a set of topics they had previously identified as being important, including infill housing, maintaining the core vs. sprawling at the edge, paying for infrastructure, and transportation and land use. To explore these issues and exchange case histories, the planners met for a weekend retreat organized by Peter Pollock, Boulder's planning director, before presenting their findings at an APA session titled "Urban Challenges and Opportunities in the Rocky Mountain West." This report highlights key discussion points raised during both the retreat and the APA panel.

ARMANDO CARBONELL
and LISA CLOUTIER

The West remains one of the fastest growing regions in the country. Not surprisingly, the liveliest discussions among western city planners center on issues of infill housing and the need to protect and maintain the viability of the urban core in the face of continued regional growth. As Chris Knight of Las Vegas noted, "protecting the core is important to the health of the entire region." Louis Zunguze of Salt Lake City emphasized that "the core area has a real responsibility for the pace of sprawl," adding that there is a practical need "to keep the area attractive from many perspectives."



Lisa Cloutier

Participants in the Lincoln Institute-sponsored retreat for planning directors of western cities: Top row, from left: Mike Abel, Cheyenne; Bill Healy, Colorado Springs; Chris Knight, Las Vegas; John Hester, Reno. Middle row: Louis Zunguze, Salt Lake City; Ramona Mattix, Billings; Ellen Ittleson, Denver. Bottom row: Armando Carbonell, Lincoln Institute; David Richert, Phoenix; Peter Pollock, Boulder.

Neighborhood Responses to Infill Development

Part of that challenge has to do with neighborhood resistance to change and increased density. In Billings, Montana, for example (metro population approximately 100,000; county population 140,000), sprawl is becoming a significant issue, according to Ramona Mattix. Yet, despite substantial capital support for downtown revitalization and favorable zoning densities, the city faces considerable resistance from its residents, many of whom are attached to their traditional wide-open spaces.

Bill Healy of Colorado Springs (population 368,000) spoke of his earlier experience as a planner in Salem, Oregon (population 137,000), when he addressed the problem of how to "sell density" in older neighborhoods. As in Billings, the greatest opposition to infill housing in Salem, which involved rezoning established neighborhoods to accommodate multifamily housing, came from existing residents who would grow increasingly vocal if growth was slated to occur in their "back yard." Healy explained, "The way we sold density [in Salem] was to couple it with better design standards." People there found density much more acceptable if new development was designed compatibly with existing neighborhoods. A further benefit was that the city obtained new design standards. "Public acceptance of infill is like a sine curve," Healy explained. "In urban areas there is great acceptance. But as you get out to the first-ring suburbs, there is a real fear of density. Way out where populations are sparce it's not an issue." In Colorado Springs, Healy noted, there is little economic incentive for infill. "Half our land area is vacant, so that is a disincentive for infill development. It's an issue from a planning standpoint."

Not all western city planners cited neighborhood opposition to infill development as a major obstacle to accommodating growth, however. Ellen Ittleson, for example, discussed Denver's (population 555,000) recent success in "planning around resistance" in the city's most recent plan, Blueprint Denver. While preparing the plan, the city looked at growth projections over the next 20 years and devised a way to accommodate the addition of 132,000 predicted new residents and 109,000 new jobs to the city and county. The metro area is expected to receive an additional 760,000 new residents over the same period. "Once we accepted the growth," remarked Ittleson, "the real task became figuring out where to put it, because where the market or zoning would have put it was not acceptable."

The Blueprint Denver plan identifies two types of infill areas. "Areas of change" are those parts of the city that would benefit from increased population densities, such as areas of economic need where land use change and transportation initiatives could go hand-in-hand with realizing mixed-use, pedestrian-oriented and transit-oriented development. The only strictly residential area of change is Cherry Creek, which is being transformed from a single-family neighborhood to one with single-family and attached housing. "Areas of stability" are represented primarily by traditional residential neighborhoods, but also include small commercial and even industrial districts where the effort will focus on how to protect the character of these areas rather than adding new households or jobs.

"There has been great consensus on where growth should be and where it should not be," Ittleson remarked. Yet, there remains considerable controversy "at the edge, that is, how to transition from areas of change to areas of stability," she continued. Another major obstacle facing the city's housing initiative is land assembly. "We have the Denver Urban Renewal Authority, but it's a politically supercharged thing to use. It's expensive and politically complicated," she added. Another difficulty is Denver's "archaic legislation," which offers far less acceptance of inclusionary zoning than in the East.

Salt Lake City (population 182,000; metro population 1 million) also has demonstrated considerable acceptance of the need for more infill and density downtown. Renowned for its abundant natural amenities, the city has a thriving tourist industry and has become a magnet for growth. As a result, land costs are very high to accommodate the new population, and there are serious discussions between the mayor, the city council and the development community on how to make the city more viable in the face of this challenge. Louis Zunguze remarked that the city is keenly aware that "what happens around us has a lot to do with what we do in the core."

As part of its efforts to contain the pace of sprawl and attract new development to the downtown, Salt Lake City is putting together a major housing initiative and has studied downtown sites suitable for infill. With the ambitious goal of creating 40,000 new housing units in and around the downtown area, amounting to a three-fold increase in density, a considerable challenge will be to "strike a balance" with more traditional neighborhoods. Strategies include block consolidations for small subdivisions and amending the zoning ordinance to allow for more height in certain appropriate areas, "so more density can be accommodated gradually."

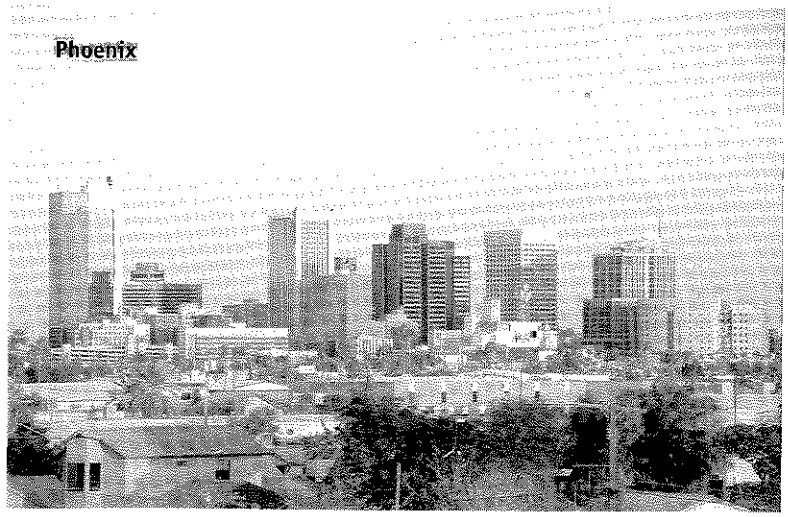
Salt Lake City has considerable assets working in its favor, notably the Church of Jesus Christ of Latter Day Saints (the Mormon Church), whose world headquarters is located downtown. "The Church is a significant entity from both a social and financial standpoint," Zunguze noted. In addition to complementing the city on key housing and economic initiatives, the Church works hard to induce corporations to relocate downtown near the Church's own headquarters. The Church partners with new development and redevelopment in other ways as well. For example, it has built a new conference center and recently bought the Crossroads Mall located downtown (that is still taxable) and other projects as additions to Church facilities.

Cheyenne (population 53,000; county population 81,000) is the largest community in Wyoming but the smallest city represented on the APA panel and it does not have issues with infill housing. "We're a landlocked, small community," notes Mike Abel. "Residential areas are close by, so residential development downtown is not a huge issue right now. We're more interested in community development issues . . . our infill focus is on commercial redevelopment."

Regional Planning

According to John Hester, Reno (population 200,000; metro population 550,000) relies heavily on regional planning. The city has a state-mandated regional plan, updated every five years and designed to account for growth and development over a 20-year period. The recently revised plan promotes the objective of directing development to existing areas and infrastructure. It also introduces a new conceptual framework for identifying and prioritizing those districts and transit corridors most

The Phoenix plan identifies six growth areas as overall targets for development and infill. To alleviate traffic congestion within and among the designated growth areas, the plan also recommends redirecting growth to certain strategic perimeter areas.

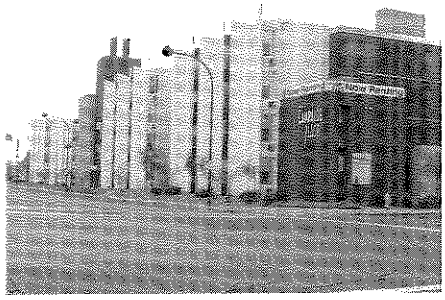


Phoenix

suitable for infill and development. On a broad scale the plan presents the idea of Municipal Service Areas designed to capture what has already been built and approved. Urban and suburban land uses are allowed only in these service areas. Then, within these areas, the plan identifies activity centers and auto-dependent transit corridors most suitable for high-intensity land use and development. One specific target for the city, noted Hester, "is to capture 35 percent of all regional metro housing over the next 20 years within the McCarran Ring, a four-mile radius from downtown."

For David Richert, the cities of Phoenix (population 1.4 million; metro population 3 million) and Reno appear to share similar planning approaches toward managed growth. The Phoenix plan identifies six growth areas as overall targets for development and infill. To alleviate traffic congestion within and among the designated growth areas, the plan also recommends redirecting growth to certain strategic perimeter areas. "They become edge cities within a village system," he explained. "There are one hundred years worth of growth in the Phoenix plan. We're putting in infrastructure where we think growth is going to occur." Richert noted, however, that it was important to keep in mind that "getting the infill requires getting the people who want it, too.... Among our goals is to get a fair share of everything that happens in the valley and to set a good example."

Las Vegas (population 500,000; metro population 1.5 million) has been the nation's fastest growing region for more than 60 years. But, according to Chris Knight, "the city is still young, with an outward focus and large expanses of vacant land. We tear things down if we don't like them. If it's bad, we just blow it up and move elsewhere. Redevelopment is difficult because some of the more prominent redevelopment tools such as eminent domain are taboo." Downtown Las Vegas is perceived to be in trouble, and its revitalization is at the top of the mayor's agenda. "One obstacle is that the private owners of downtown properties need to buy in on fixing the problem," Knight explained. Another problem he noted is that "a number of downtown property owners believe they own the site of 'the next big casino,' so land prices are very inflated."



Campaige Place, an infill housing development in downtown Las Vegas.

The mayor of Las Vegas has been a champion of regional planning and recognizes that protecting the core is vital to the health of the region. "The mayor wants to leave the legacy of a new downtown," Knight added. Part of that legacy would include the introduction of new medical research facilities and 40,000 units of housing to the downtown area. "Big retailers are already coming in," added Knight, and the city is "looking for tall buildings." The city is also beginning to investigate transportation-related development to support the existing monorail system, "but our zoning standards may be archaic and will be in the way. We have to figure out how to remove them," he explains.

Infrastructure and Land Management

Maintaining control of a city's services and proper fiscal strategies may help in managing growth. Salt Lake City is well endowed with transportation facilities: light rail, bus (local and Greyhound) and train (Amtrak) services, and an airport that is within ten miles of downtown. Moreover, the streets in Salt Lake are so wide that it's easy to install new rail lines down the center for new transit services. The city also has three large malls within the downtown area, which help keep the city viable. In addition, there is considerable willingness on the part of developers "to look at the barriers in the way of the kind of the development we want downtown (i.e., mixed-used along transit)," Louis Zunguze noted. In Salt Lake, "the city development and finance communities are beginning to come to the table together to discuss what type of housing should be developed and how to finance it.... The banks are willing to look at new ways to finance mixed-used developments," he noted. While work still needs to be done in terms of putting the most viable financing tools together, Zunguze cited land use regulations as the city's major obstacle to its infill efforts. The city is faced with "contradictions of wanting to do things but the process being very slow. . . . Developers seem to have no problem assembling land, but projects are seriously challenged by the review and permitting processes," he explained.

Reno has less than half the population of Las Vegas, but as the second largest city in the nation's fastest growing state, growth management is a high priority. John Hester cited two other factors, in addition to strong regional planning, that have been instrumental in shaping the city's response to growth. First is the need to work within the limitations imposed by the city's physical constraints: Reno is landlocked and must also contend with limited water supplies. Second is the city's concern for fiscal equity and accountability. Taxpayers subsidize growth, and the city, in consultation with outside fiscal consultants, has made concerted efforts to ensure that only those who receive municipal services pay for them, and that taxpayers in one area are not subsidizing the provision of municipal services elsewhere. "A lot of what we try to do is use the fiscal system to make people realize they can't keep building out," says Hester. He also noted that the city has a unique tax structure that enables depreciation.

David Richert considers the situation in Phoenix to be very similar to that in Reno only on a bigger scale. "We have our land constraints—the Indian reservations... and the state trust lands. Only 13 percent of the State of Arizona is in private hands," he explained. However, the city itself has no constraints on water. "Phoenix is in the business. It sells water to other communities," he noted. But controlling the allo-

cation of water "provides a measure of growth control in other areas. In Arizona, you need a 100-year water supply for everything you do."

Phoenix is also trying to achieve "a balance of transportation," with efforts to enhance existing transportation rather than building new. Greenspace planning is also becoming increasingly important within the Phoenix region. As an example, Richert cited the recent introduction of special zoning for drainage washes and meanders. The city also passed a bill to collect taxes to pay for park acquisition. "It won't be enough," he added, "because once you start buying land you create a market. Land values go up and you can't buy as much."

Cheyenne is a city poised for change. As the "northern anchor" of the Colorado Rocky's Front Range, Cheyenne is only 90 miles from urban Denver. Because of its strategic location on north-south and east-west highways and railroad lines, the city is looking to capitalize on its potential as a major regional transportation hub. "Regionally, we have a lot going for us as a transportation center. Businesses are looking at Cheyenne because of its proximity to other major centers," Abel explained. Moreover, for businesses Wyoming has a very attractive tax structure, and Cheyenne is also proving popular for commercial development because it is "ready to build." The city has many greenways, and the strong pedestrian orientation within the community is appealing to new development and infill initiatives. Already, Abel stated, "once-vacant city blocks are beginning to change, and there's a new parking structure downtown." Growth is not without obstacles, however. Specifically, water will be the limiting factor in the city's growth cycle. Like many western cities, noted Abel, "we're dependent on our water resources and future enhancements. Without sufficient snowpack to balance out the high mountain reservoirs during a drought situation such as we have now, Cheyenne could be out of water in less than three years."

Despite this sobering prospect, the city remains more than optimistic about its future. Recently, a local property owner offered the city a massive 17,000-acre ranch that appears to have several water sources, and with them significant development capability. The city has taken the option to purchase the ranch for its water rights, but the city would acquire both the land and its water. "With this purchase, we could double the size of Cheyenne overnight," exclaimed Abel, adding that "it will force the city to look differently at land use in the area for commercial and urban development. It's an opportunity to develop the next generation of Cheyenne." David Richert commented, "17,000 acres is huge.... You'll need a lot of expertise from the private sector. But you're doing a very progressive thing; your government has a chance to control development."

ARMANDO CARBONELL *is a senior fellow and cochairman of the Lincoln Institute's Department of Planning and Development, and* LISA CLOUTIER *is a research assistant in the department. Contact: acarbonell@lincolninst.edu or lisac@lincolninst.edu.*

Salt Lake City has considerable assets working in its favor, notably the Church of Jesus Christ of Latter Day Saints (the Mormon Church), whose world headquarters is located downtown.

Salt Lake City

Jason Mathis. Courtesy of Salt Lake Convention and Visitors Bureau.

The Value Capture Debate in Latin America

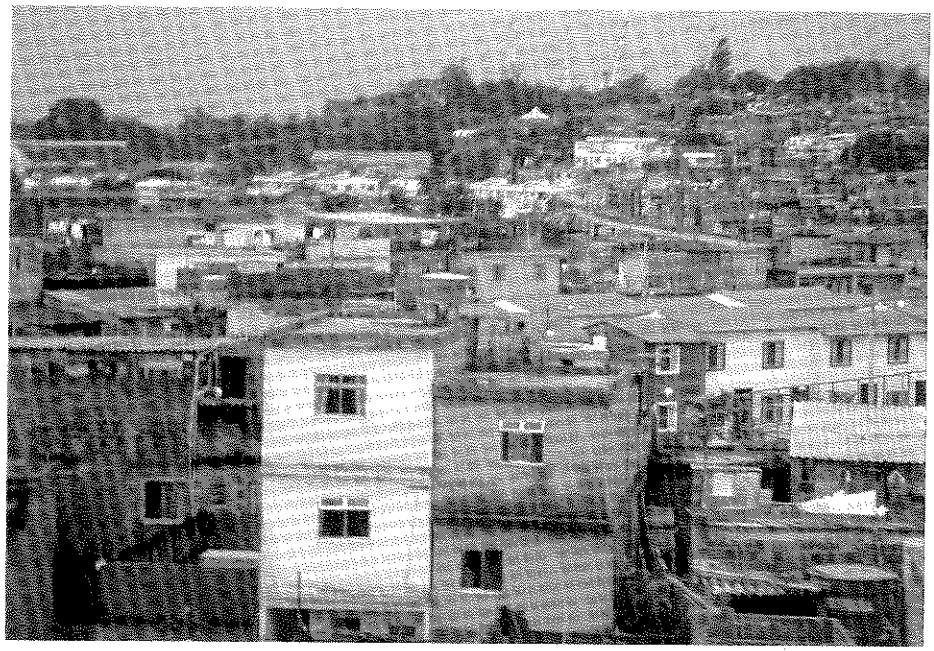
MARTIM O. SMOLKA
and FERNANDA FURTADO

Value capture is an increasingly popular concept that seeks to capture for public benefit all or part of the increments in land value resulting from community, rather than private, investments and actions. Yet, based on the Lincoln Institute's experience in sponsoring many educational and research programs dealing with value capture policies in Latin America, it is also quite controversial.

This article addresses some of the contentious and persistent issues that have engaged participants in the ongoing debate over value capture, ranging from basic concerns, such as the proper understanding of the legal basis for land property rights, to larger political questions raised by new or higher charges on real estate property. Technical issues also are involved, such as distinguishing land value increments (or *plusvalías*) attributed to specific public investments or planning decisions from other more general sources or factors that influence land markets, as well as pragmatic challenges that arise in selecting the right instrument for the right circumstances at the right time.

To gain a better understanding of value capture, one cannot rely simply on technical arguments or expert authorities. At the same time, one cannot dismiss the issue on purely political grounds by attributing the main obstacles to the implementation of value capture policies to well-positioned interest groups. Rather, a considerable share of the "unexplained variance" in the application of value capture seems to be the result of inadequate information or misunderstanding held by major stakeholders in the debate.

Figure 1 summarizes 10 contentious value capture issues; items 1, 2 and 3 are discussed briefly below.



Martim O. Smolka

The favela of Caju in Rio de Janeiro is a traditional settlement resulting from informal and unplanned development.

Unfair Charges for the Poor

Although support for direct subsidies or grants to the poor is waning in Latin America, many still believe that the poor should not pay for urban services, or should be exempted from taxes and other charges on their land, as is required by many of the more progressive value capture policies and laws.

A common argument in favor of exempting the poor from such charges raises an intergenerational dilemma: since wealthy residents for many years have enjoyed urban services that they did not pay for, why should the poor be charged now for services that they need and deserve? Another argument centers on the idea that most land value increments in poor areas have in fact been generated by the poor themselves, through sweat equity or private schemes to access basic services in their areas, not through public intervention. Some recognize that urban upgrading programs simply bring poor settlements to the first stage of the urbanization process, which is a bare minimum for participation in regular land markets.

Others believe that even a socially neutral value capture instrument may produce a regressive result, perpetuating the disparity between the rich and the poor in the context of inequitable access to urban facilities and services, as is the case in most Latin American cities (Furtado 2000).

On the other end of the spectrum are those who argue that value capture payments are part of the poor sector's claim to full citizenship, including the right to demand attention from the government. There are many examples where the poor have been eager to pay for receiving services (such as water systems, public lighting and flood control) since the cost of not accessing them is perceived to be higher than the actual payment. This was the case in Lima, Peru, in the early 1990s when more than 30 poor communities participated in a public service program that included payment for the cost of the services provided.

A more theoretical and perhaps less intuitive argument considers the capitalization effect of any charge on land prices.

FIGURE 1 Contentious Propositions and Commentaries on Value Capture

Proposition	Commentary
1. It is unfair to charge the urban poor who benefit from regularization or upgrading programs.	Evidence shows that expectations regarding publicly funded future upgrading programs lead to higher markups or premiums on current land prices in irregular or illegal settlements. Charging for such benefits would simply switch the recipient of a payment burden that is already being imposed on the poor from the subdivider to the government collecting the charge.
2. Urban land policy must take into account previous development rights, for they are acquired rights.	Although expectations are an important part of land market prices, they do not create rights. Zoning designations or development rights, when not realized, are not acquired rights and therefore they can be taken without compensation.
3. Minusvalías are not compensated for; the asymmetry between plusvalías and minusvalías is unfair.	Minusvalías are the exception in Latin American cities where land value increments are much higher than the cost of servicing land. In practice, however, public compensation to private owners usually far surpasses collection through value capture policies.
4. Land value capture policy is "communist."	Paying for "free rides" is certainly not a communist idea. One is reminded of mainstream economic theories regarding the merits of a system where individuals and social costs and benefits converge at the margin.
5. Value capture over and above the property tax implies double taxation.	In effect, observed land prices to which land value increments apply are already net of the capitalization effect of property tax on land values.
6. Value capture distorts the functioning of the land market.	In actuality, it's the opposite: uncontrolled land value increments distort the behavior of agents. The presence of plusvalías is as distorting a factor for urban development as inflation is for economic development in general.
7. Private appropriation of land value increments is no more objectionable than similar windfalls obtained in capital markets.	There is a fundamental conceptual difference. In capital markets equity and bonds are issued against productive investments as collateral for increases in productivity in individual businesses. In the land market, by contrast, land value increments result from the community effort, not individual effort.
8. Value capture is technically impractical because it is impossible to measure the land value increment.	With the technical resources available today it is ludicrous to think it "can't be done." Ingenious and practical solutions have been developed in Cartagena, Colombia, and Porto Alegre, Brazil, for example.
9. Value capture is overwhelmingly rejected by the citizens, and therefore is politically impractical.	The privileged few are the main source of rejection, not the poorer majority of the population who often are charged higher prices in order to access public services through informal arrangements.
10. The amount that can be collected with supplementary value capture instruments is a negligible amount in the public budget.	Because of limited collection of the property tax in Latin America, value capture resources can assume an important role in financing urban development. Besides, use of value capture brings to light plusvalías, which has traditionally been a key source of corruption, and thus contributes to a healthier fiscal environment.

That effect is the reduction (or increase) of the current market price of land by the capitalized or discounted sum of the costs (or benefits) affecting the future earnings the property is expected to generate. To the extent that value capture charges on regularized or upgraded areas are integrated in the expectations regarding the future burden imposed on unserviced land bought from illegal or pirate subdividers, they would tend to be capitalized in the price that buyers would be willing to pay or the subdivider was able to charge (Smolka 2003). Although the poor would end up paying the same amount over time, the money would go to the local public treasury rather than the subdivider's pocket.

Incidently, a common but mistaken view holds that such charges (value capture or land value taxes) are inflationary or increase the market price of land. Although the capitalization effect is complicated, most people can understand a situation comparing two otherwise identical apartments, where the one located in a building with a higher condo fee would get a lower rent in the marketplace than the apartment with a smaller fee. The same line of reasoning may be used to explain why there is no double taxation between value capture and the property tax. The relevant land value increment resulting from some public intervention accumulates or adds to an observed base market price that already is net of the capitalized effect of any anticipated future benefits or burdens, including the property tax.

Acquired Rights When Changing Land Uses

Although few would argue that expectations play a crucial role in determining land prices, it is widely considered unfair if price compensation falls below current market prices. This idea is now beginning to change, as reflected in recent legislation. For example, Law 388 of 1997 in Colombia allows for public acquisition of land at fair market prices, but not including the increment of land value resulting from previous public investments or changes in regulatory land

uses (see article by Maldonado and Smolka, page 15). The same principle is stated in Brazil's new City Statute (Law 10.257 of 2001) when land expropriation is used as a sanction against a landowner who is not complying with social uses of the land. Many lawyers agree that expectations do not create rights; therefore, expectations not realized should not be compensated. The social unrest around public land acquisition that led to the postponement of Mexico City's proposed new airport megaproject vividly illustrates this problem.

It is hard for the typical landowner who in good faith bought a piece of land with the expectation of using its development potential to understand why he should not be compensated for the loss of that land at the current market price or at least the acquisition price, even if the development rights had not been exercised. However, the result often depends on the extent to which the new policy is actually implemented. In practice, prices reflect expectations regarding the (usually weak) enforcement of existing legislation, including legal variances or loopholes in the relevant fiscal and regulatory environment. This has been the case in most court decisions regarding fair compensation on public land acquisition processes and on claims from landowners (or developers) on whom local administrations impose plusvalías charges. A more pragmatic argument is that rights may indeed be restricted by a new legislation or zoning code, as long as it is accompanied by adequate transition rules to protect the rights of those who had previous legitimate claims. Others defend the transition process as an indispensable step toward allowing the market to gradually absorb such changes.

Economists struggle to convey the importance of expectations in determining the structure of current observed land prices. How the future affects current land prices is in fact harder to express to the general public than the notion that current prices reflect rights as realized in comparable properties in the past. In Latin America expectations associated with land uses are not always related to zoning or building codes, but rather to land speculation. It may be of interest to note that whereas speculation in Latin America is associated with long-term retention of land, in North America it is associated more with rapid turnover of properties. The phenomenon of land retention for future development, with the consequent private appropriation of unearned increments in land values, has stymied urban planning and development ever since cities began expanding rapidly over many decades.

Asymmetrical Compensation for Wipeouts

The debate over value capture (i.e., capturing land value increments, windfalls or plusvalías) inevitably raises the question: What about the wipeouts (*minusvalías*)? The common perception is that governments are more eager to approve legislation to capture land value increments than to provide legal protections for citizens against takings or arbitrary compensation for equally predictable losses (minusvalías). The Latin American record has shown, however, that the balance between the plusvalías captured and the minusvalías paid for is clearly negative. The amount paid in compensation to landowners surpasses by far the small and sporadic gains the public has been able to recover from the direct benefits it generates for private properties.

All rents, and land prices for that matter, are in essence nothing more than accumulated plusvalías, or land value increments, over time, echoing Henry George's argument for full confiscation of land rents. Thus, the alleged minusvalías are considered incidental and just part of a value to which individual rights are not (or should not be) absolute. The debate on this asymmetry bears directly on the proper definition of wipeouts and on how those losses are understood, which raises the issue of development rights. While some are willing to restrict the compensation for land and building improvements that the owner may lose, others argue that development rights are permanently built in as an inherent attribute of the land.

In practice it is not easy to make these arguments. What may be valid in the aggregate does not necessarily hold true for the part, since individual landowners consider it a loss in land value when, for example, a walled expressway cuts across their back yard or a viaduct blocks their view and produces noise and pollution. The average citizen is not easily convinced by the above arguments. The quest for symmetrical treatment is too socially and culturally sensitive to be ignored.

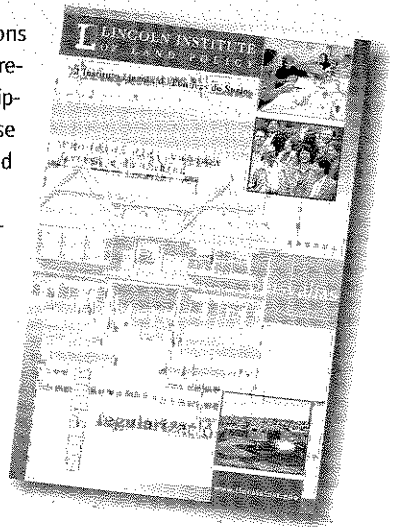
Transfer of development rights (TDRs) —an instrument originally conceived for compensating minusvalías from historical, architectural, cultural or environmental preservation ordinances for plusvalías some-

Latin America Program Brochure

The Institute has produced a new Spanish-language brochure describing the Program on Latin America and the Caribbean and its four core courses that are offered at Lincoln House: Large-scale Urban Redevelopment Projects, Property Taxation, Value Capture and Informal Land Markets.

The brochure also presents a series of questions and answers about the Institute's educational and research programs for Latin American audiences, descriptions of its faculty, and other information to assist those who may wish to participate in programs offered throughout Latin America.

A copy of the brochure will be sent to individuals and organizations on the Institute's mailing list. If you would like to request a copy, please send an email message to *lac@lincolninst.edu* or visit the Latin America section of our website at *http://www.lincolninst.edu/aboutlincoln/lac.asp*.



where else—has now been extended to mitigate other legitimate claims for minusvalías compensation. Some argue that regular compensation for wipeouts is a guarantee, making it easier to accept payments for windfalls. Under the equity principle, planning decisions including zoning schemes are recognized as potentially unfair with regard to the distribution of values in land markets. However ingenious the TDR instrument may appear, it does not help clarify the issues at stake. On the contrary, it adds to the debate since it simultaneously recognizes the right for minusvalías to be compensated and sanctions the right of individuals to plusvalías, reintroducing the question of private appropriations of community values.

Final Comments

The complex debates over value capture policies and instruments in Latin America indicate that much remains to be researched and learned. If the issues do not necessarily have a single answer, the arguments discussed here demonstrate that a significant portion of the resistance to such ideas may be attributed to misconceptions and insufficient information. Although the positions taken by different groups are not as clear-cut or coherent as expected, perceptions and attitudes do change, as the accompanying article indicates. ■

MARTIM O. SMOLKA *is a senior fellow and director of the Lincoln Institute's Program on Latin America and the Caribbean.*
FERNANDA FURTADO *is a fellow of the Institute and a professor in the Urbanism Department at the Fluminense Federal University in Niteroi, Brazil. Contact: msmolka@lincolninst.edu or furtadof@gbl.com.br.*

REFERENCES

Furtado, Fernanda. 2000. Rethinking value capture policies for Latin America. *Land Lines* 12 (3): 8–10.

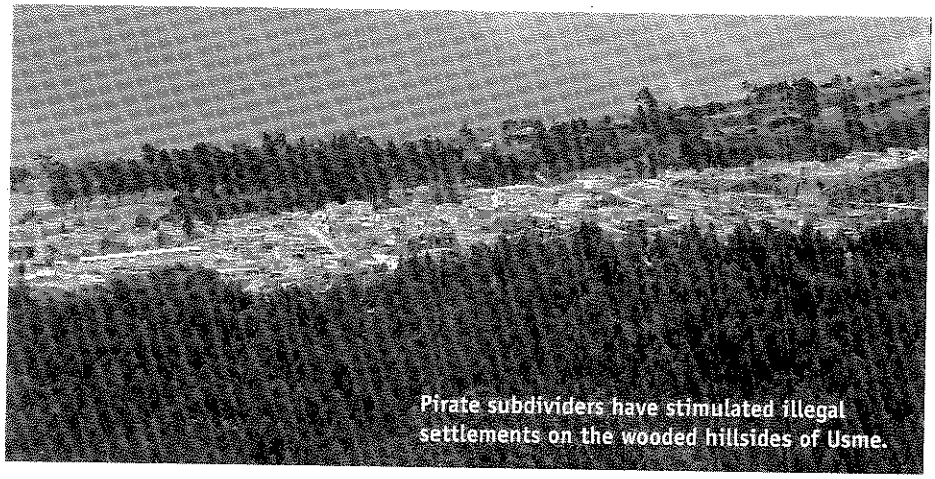
Smolka, Martim O. 2003. Informality, urban poverty and land market prices. *Land Lines* 15 (1): 4–7.

Using Value Capture to Benefit the Poor
The Usme Project in Colombia

MARÍA MERCEDES MALDONADO COPELLO *and* MARTIM O. SMOLKA

Public policies and actions regarding social housing in Colombia, as in other Latin American countries, have concentrated on regularization and upgrading programs, which in many cases are linked to the need for infrastructure funding. These programs also are seen as the only palliative instrument for addressing an apparently insoluble problem, illegal (pirate) urban development, although they have been found to be quite limited and even counterproductive. Here we present an alternative policy: the application of principles and instruments for land management and *participación en plusvalías* (public participation in land value increments resulting from administrative actions). This policy was established in the Colombian Constitution and in Law 388 of 1997, which prescribes that the revenues generated from land value increments are to be used for social investments.

Operación Urbanística Nuevo Usme is one of the strategic projects promoted by Bogotá Mayor Antanas Mockus to solve the problem of illegal developments.



Pirate subdividers have stimulated illegal settlements on the wooded hillsides of Usme.

Located in the southeastern sector of the city, Usme is one of the areas most vulnerable to the pressures of illegal urbanization; powerful pirate subdividers have developed more than half of the 1,000 hectares already set aside for urban use. The predominant mechanism for this kind of extra-legal development, besides invasions or squatter settlements, has been the sale of plots by subdividers who buy large areas of land at rural prices and sell them without providing any services or infrastructure and without approval from the public administration. The negative consequences of this kind of development include relatively high land prices and inequitable land occupation patterns.

Usme is expected to expand into another 600 hectares of steeply sloped, ecologically fragile and still predominantly rural land, according to the city's master plan (*Plan de Ordenamiento Territorial* or POT), which was approved in June 2000. Bogotá's administration already has invested in water and sewage systems for the area and is executing other projects, including the extension of the *Transmilenio* public transport system and construction of 6,200 low-income housing units. In addition, under the initiative of citizens organizations, two large

areas, the *Parque entre Nubes* and the *Agroparque los Soches*, have been designated by the POT as both meaningful and symbolic local landmarks. The first is a large park marking the transition area between urban and rural, which is constantly threatened with illegal development and exploitation. The second area, a type of agricultural buffer zone, was created by a peasant organization that consciously assumed an important reduction of its land price by changing the land classification from suburban to rural, in order to preserve its agrarian character. This organization is now developing innovative alternative means of land management through ecological conservation projects to benefit the city as a whole and to block the threat of illegal urban growth.

How can this diversity of elements, ranging from social housing to public transportation and agricultural land conservation, create an opportunity for sustainable living conditions for the poorest people of the city? How does one reconcile the objectives of urban policy with social justice? How can the city prevent pirate subdividers from taking undeserved advantage of Usme's new development area? This is the challenge for the city's administration, for popular housing organizations and for the residents living south of the city.

Alternative Mechanisms for Value Capture

One of the topics under debate with regard to Law 388 is the precedent of recovering land value increments for areas designated for social housing. Housing organizations have sought to exempt such lands from participation in plusvalías, based on a common misunderstanding about the nature of the instrument, which views the value captured as being transferred to the final price of housing (see Smolka and Furtado, page 12). Taking a different approach, the Usme project is structured around several alternative mechanisms for value capture that go beyond its restricted and misconceived role as a tax.

The first mechanism is simply the announcement of the Usme project, since Law 388 provides that in the case of public land acquisition the land's commercial value (for compensatory purposes) cannot include the amount corresponding to the plusvalías generated by the project. This provision freezes the land price to its level prior to the

The View from Colombia's Private Sector

OSCAR BORRERO OCHOA

Between 1970 and 1989, 17 progressive urban reform projects were submitted to the Colombian Congress, but all failed due to opposition from the conservative party supported by the influential private sector including the construction industry and real estate developers. In 1989, after three years of parliamentary debates, Law 9a (for urban reform) was approved, despite opposition from FEDELONJAS, the entity representing the real estate and development groups. After the law was approved, FEDELONJAS brought a lawsuit before the Constitutional Court with reference to the owners' loss of rights of those lands that were not developed during the time defined by the master plan (*Plan de Ordenamiento Territorial* or POT). The court ratified Law 9a, and the real estate sector protested throughout the country for what was deemed unfair expropriation without compensation. The law was considered "communist" and dangerous for the private capital linked to construction and real estate.

The city of Cali, with 2.5 million inhabitants and a large housing deficit in the early 1990s, applied Law 9a with its threat of a property taking to a large area of the city whose lands were held by a small number of owners. In anticipation, developers and builders in Cali suggested that these landowners join together in an association to develop a large amount of social housing on their properties.

As a result of this positive experience, the *Cámara Nacional de la Construcción* (CAMACOL, the national union of the construction industry, including developers, constructors and promoters of urban projects) supported these development processes in other cities, especially Bogotá and Medellín. The way was paved so that the private real estate sector accepted Law 388 in 1997, which was an enhancement of Law 9a, and that support has revolutionized urban land management in Colombia. The new law grants municipalities the authority to manage urban land, promotes the master plan (POT), allows urban value capture and generates instruments for land use regulation.

By 2000, discussions were no longer focused on lawsuits but rather on the advantages of obtaining land to develop projects at a lower price. The Colombian construction and real estate sectors have entered the twenty-first century with a proactive attitude toward the public capture of the land value increments (*plusvalías*) and other instruments of urban land management. They now understand that this legislation releases land for development, generates land sharing in large projects, and facilitates the production of social housing. High urban land prices have been moderated, and the financial capital is now used more efficiently for home building in Colombian cities. Opposition to the reforms remains, especially in intermediate-sized cities, but it is not as strong as in the 1970s and 1980s.

The change of attitude in the private real estate sector brings its interests closer to other social and collective concerns. It is clear that the proprietor owns the land, but that the right to develop land is owned by the public and may be granted through instruments such as the participation in plusvalías, transfer of development rights, or the sale of building rights. Profits from urban land development are now better distributed among all three stakeholders: the capital investor, the landowner and the municipality.

OSCAR BORRERA OCHOA *is an economist and private urban consultant in Bogotá. He was president of FEDELONJAS from 1981 to 1990. Contact: cborrero@visat.net.co*

announcement of the project, and therefore is an expedient instrument to reduce the cost that the local administration would otherwise pay for land for its own urban development projects.

The second mechanism is the *Plan Parcial*, a plan for local development parcels, which applies the principle of equitable distribution of costs and benefits that Colombian law has adopted from the Spanish law. This mode of *reparcelación* (or equitable land readjustment) includes the distribution of infrastructure costs as well as development rights, and allows the public administration to obtain a portion of the developed lands as a return payment for its investment in the development. Through this mechanism, the Municipality of Bogotá can obtain free or low-cost land for infrastructure or public facilities, or for social housing.

A third mechanism is the recovery of plusvalías as established by Law 388, which requires the prior approval of a specific agreement by the City Council. If the recovery plan is approved, the municipality could regain between 30 and 50 percent of the land's price increment derived from the land's change in classification from rural to urban, the authorization for more profitable uses, or the increment of development rights. The plusvalías could be paid in land, as a percentage of participation in the project, in infrastructure or in cash. Again, the effect is to reduce the price of land obtained by the local administration for the fulfillment of its social objectives.

A more innovative alternative is for the local administration or municipality to assign land development rights directly to the low-income beneficiaries of the housing program. This ingenious mechanism, based on the separation of building rights from ownership rights, in effect shifts the balance of power from the land subdividers to the low-income families who move to the area and subsequently share in the land value increment generated by the development. These new residents now hold the land rights that would otherwise have been sold to them by pirate subdividers who no longer have a captive market.

Taking an active role in regulating the occupation of the area through the distribution of such building rights, the municipality finds itself in a better position to negotiate directly with pirate subdividers, and to emulate in some way their actions by providing serviced land ("sites and services") at affordable prices. This legal approach by the municipality ensures the provision of roads, public services networks, green spaces and recreational and public facilities that usually are not provided by pirate subdividers or that the original rural landowners are unable to support. In sum, the procedure assigns the building rights to the low-income inhabitants who will construct housing by their own efforts over time. Once the original owner's development rights are reduced through the Plan Parcial, the land price is also reduced.

Broadening the Participation in Plusvalías

The plusvalías policy of capturing private land value increments for public benefit has been accepted in high-income areas where revenues are used to subsidize social investments elsewhere. However, pirate subdividers often find ways to expropriate these investments in low-income areas through the prevailing illegal and clandestine activities used to access and occupy land. The Usme project represents an attempt to shift the bargaining power of the public vis-a-vis pirate subdividers by designing alternative urbanization processes.

The mayor's office has already made a de facto commitment to apply value capture instruments, but they are still being explained and discussed within the broader debate over the policy of participation in plusvalías. As we have seen, the practical principle on which this policy is based is the separation of property rights from building rights. However, the policy faces enormous resistance because of the civil law tradition that unitary and absolute rights are associated with private land ownership.

The novelty of the program is its potential to directly address the challenges of low-income urbanization. Expectations have driven up the price of illegally subdivided lands in Usme and have stimulated pirate developers to "produce commercial land" by destroying peasant communities, degrading areas with environmental importance, and occupying risky zones. The tolerance of such practices reached such an extreme level that the prevailing inflated prices in these mostly informal market arrangements have been used by the local administration as the benchmark to determine just compensation for land acquisition.

In the absence of public mechanisms to intervene in the land market, such as through participation in plusvalías, landowners, particularly pirate subdividers, not only have captured all the price increments generated by the urban development but actually have taken control of the process. The resulting illegal urbanization is costly to the individual occupants of such settlements and to society as a whole, as it raises the cost of subsequent upgrading programs three to five times the cost of urbanizing unoccupied land.

Through the alternative mechanisms listed above, it is expected that more land use conversions, such as in the urbanization of Usme, will be managed in an alternative political economic environment whereby the municipality participates as an active and socially responsible regulator of the process. These projects will establish close ties between regulatory land policies and the rules under which land is publicly purchased or auctioned, the costs of infrastructure and public facilities provision are distributed, and development rights are exercised. The return to the community of the plusvalías derived from these changes in development regulations and public investments constitutes the most efficient way to construct more democratic relations based on the exercise of a renewed demand for urban reform and the right to access the city. ∎

MARÍA MERCEDES MALDONADO COPELLO *is professor and researcher at the Interdisciplinary Center for Regional Studies (Centro Interdisciplinario de Estudios Regionales, CIDER) at the University of the Andes in Bogotá, Colombia.* MARTIM O. SMOLKA *is a senior fellow and director of the Lincoln Institute's Program on Latin America and the Caribbean. Contact: mmaldona@uniandes.edu.co or msmolka@lincolninst.edu.*

Dick Netzer

Municipalities across the United States face social problems caused by high land prices and a shortage of affordable housing. Dick Netzer, professor emeritus of economics and public administration at the Wagner Graduate School of Public Service at New York University, discusses the role that land taxation might play in addressing these issues. Netzer is a long-time faculty associate of the Institute and is the editor of several Institute publications, including *Land Value Taxation: Can It and Will It Work Today* (1998). Contact: dick.netzer@nyu.edu

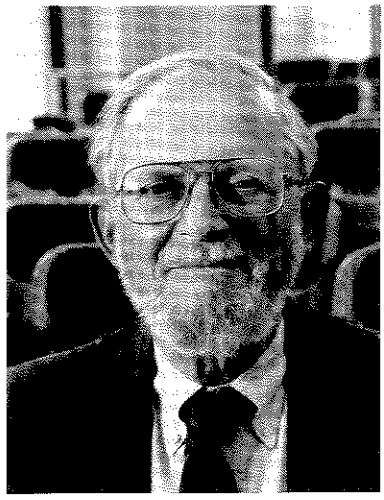
Land Lines: Could a land tax affect the building portion of the housing supply?

Dick Netzer: Yes. This is a point on which it is useful to distinguish the effect of taxes on land, capital and labor. A change in the tax system that affects the return on an investment in any of these factors will affect the amount that is invested, because a higher rate of return will encourage more investment in that factor and increase its supply. Here, of course, land is an unusual factor of production, because for most purposes we can consider the supply of land as fixed. An increase in demand will not produce an increased supply of land, and reduced demand will not decrease the supply.

On the other hand, lower taxes on capital and labor will cause their supply to increase because of the increased net return to these factors. So a tax shift that reduces taxes on capital and labor and increases taxes on land will increase the supply of capital and labor but not reduce the supply of land. Building construction is a very capital-intensive industry, and an increased supply of capital and labor, reflecting their higher after-tax rewards, will allow more building construction to take place.

LL: How would a land tax affect the price of land?

DN: We can assume that the pre-tax prices reflect "what the market would bear," and that imposition of a tax will not increase demand or raise the amount that buyers would be willing to pay for land. In that case, the total amount buyers will pay, including the new tax that they will face, will be unchanged. But the division of that payment will change. Less will go to the seller, and



that will be balanced by the increased tax that will be paid to the government. We need to distinguish here between short-term and long-term effects. In the long term, the price does not change—it just is divided differently between the seller and the government. But the short-run outlay does change, because the tax is a periodic charge over time, while the price paid to the seller is a lump sum, or requires a mortgage and a down payment. Reducing the lump-sum component and increasing the periodic charge can ease liquidity problems, making land more accessible to purchasers who cannot readily raise large amounts of cash but who can meet their tax obligations.

LL: So the overall effect would be to help make housing more affordable?

DN: Yes. Together these effects on building supply and on land prices should result in lower rents and lower housing prices. Note that this is not a direct effect of increasing land taxes, but an indirect effect as a consequence of *un*taxing labor and capital.

LL: How do you analyze our current shortage of affordable housing?

DN: Since landowners are currently able to command an outsized return on their landholdings, tenants are paying higher rents than one would expect if the returns to land ownership were more modest. We are fortunate to live at a time when demand for housing is increasing—and so is demand for land on which to build new housing or to renovate existing housing. When demand rises for a product in fixed supply, prices generally rise as well. But this rising demand and these rising prices are not the result of actions by landowners themselves. So there is neither an economic need nor an equitable requirement that this increasing demand produce larger returns to landowners.

LL: What would the economic transition to higher land taxes look like?

DN: In a period when housing demand is rising, one solution would be to increase the tax on land values while reducing taxes on labor, machinery and other productive equipment. First, let's consider the effect of *un*taxing labor and capital to some extent. A reduction in taxes on labor and machinery will allow people who offer their labor and savings to earn more after taxes. When these earnings increase, we would expect that more labor and savings will be offered, which in turn will cause some reduction in earnings, but not enough to drive the supply to its previous levels. Because the costs of construction and the cost of equipment will be lower, the prices that consumers pay for new housing will decline.

I don't want to overstate the scale of this effect. If housing demand is very strong, the

effects on prices are likely to be modest, but the supply of housing will increase. The net result will be to dampen increases in housing prices and rents.

LL: What about the effect of the transition on land prices themselves?

DN: That is the other part of the tax shift. Right after such a change in the tax system, the prices of land for new buyers will fall sharply, because along with the land they are buying an obligation to pay the new, higher land taxes. So homebuyers and renters, as well as homebuilders, will face lower immediate prices for land, offset by the higher taxes they will pay over time. Even with this offset, they will be in a better position than they were before the tax shift. There will be a significant lowering in the need for cash when homebuilding begins, when a home is purchased, and when rental property is sold to new investors. These are critical times for homebuyers and for investors in residential property, and a reduction in their cash requirements at these points can be a great benefit. Of course, they will have to pay the higher land taxes each year. But these taxes do not require an advance lump-sum payment, and they require no mortgage or construction loans. These positive liquidity effects can be very important in housing markets—perhaps not to the very largest commercial homebuilders or to the most affluent buyers, who may not require a mortgage at all, but very important to ordinary participants in the housing market.

LL: What about existing landowners who suddenly face higher taxes?

DN: This is a genuine issue, and there may well be negative liquidity effects for them. The sale value of their land will fall immediately and substantially. If so, they may be less willing or able to withhold their land from the market in hopes of gains from increases in market values in the future. We can expect another impact on land taxes, in a different direction. The lower prices on labor and equipment will cause a greater investment in housing and other construction. That means there will be more demand for land, and this increased demand will raise land prices. However, this rise will be of a different character from the price increase that we considered at the beginning of this discussion, which represented an outsized return to landowners. Unlike speculative price increases that stem from expectations of even higher prices in the future, the rise in land values resulting from increased investment in labor and equipment will not outpace the increase in income generally. The knowledge that a large portion of the future gains will have to be paid to the government in the form of a high land value tax will prevent buyers from bidding up the price of land simply in expectation of those gains. This is a good example of the distinction between two types of price increases. The purely speculative increase produces outsized returns to current landowners but does not benefit society as a whole. A price increase that reflects greater availability of labor and capital can serve the function of allocating land among competing uses, which helps the economy function efficiently. ■

David C. Lincoln Fellowship Applications
Due by September 15

The Lincoln Institute of Land Policy invites applications for David C. Lincoln Fellowships in Land Value Taxation, a program designed to develop academic and professional interest in land value taxation through support for major research and curriculum development projects. The Fellowship honors David C. Lincoln, chairman of the Lincoln Foundation and founding chairman of the Lincoln Institute.

Projects may address either the basic theory of land value taxation or its application to domestic or international issues, with an emphasis on specific investigations, case studies and theoretical work rather than general discussions of land valuation and taxation principles. The research may deal with land value taxation from the perspective of economic analysis, legal theory and practice, political science, administrative feasibility, valuation techniques, or other approaches in order to achieve a better understanding of its possible role as a component of contemporary fiscal systems.

The Institute particularly invites proposals from scholars whose work has not previously addressed these issues. Funding for each approved project is between $20,000 and $40,000 per year, and may be renewed to support projects up to three years in length. Decisions on the renewal of funding for multiyear projects are made annually after an evaluation of interim research results. As part of the Fellowship program, recipients present a seminar at the Lincoln Institute and attend a symposium with other current Fellows.

The application deadline is September 15, 2003, and Fellowship awards will be announced by November 15, 2003. For more information and application guidelines, see the Lincoln Institute website at *www.lincolninst.edu* or send email to *rfp@lincolninst.edu*.

PROGRAM CALENDAR

Courses and Conferences

The courses and conferences listed here are offered on an open admission basis and are presented at Lincoln House in Cambridge, Massachusetts, unless otherwise noted. For more information about the agenda, faculty, accommodations, tuition fee and registration procedures, visit the Lincoln Institute website at *http://www.lincolninst.edu/education/courses.asp* or email *rhoff@lincolninst.edu.*

TUESDAY, SEPT. 9–SATURDAY, SEPT. 13

Value Capture: Mobilization of Land Value Increments to Promote Urban Development

Martim Smolka, Lincoln Institute of Land Policy; and María Clara Vejarano, Department of Urban Studies, National University of Colombia.

Value capture mechanisms are experiencing increased popularity in several Latin American countries, yet in other parts of the region the notion meets suspicion and resistance. This course examines the various value capture mechanisms and how they have been and can be applied in different contexts, including: the process of generating land value increments (*plusvalías*); the fundamentals of value capture; and presentation and discussion of various formal and informal instruments applied in Latin America. Examples including linkage and urban operations in Brazil, variations on *Contribución de Valorización* in many countries, *Participación en Plusvalías* in Colombia, land readjustment schemes, and others are studied in terms of their effectiveness to finance urban development and to contribute to regulation and management of the land use process.

TUESDAY, OCTOBER 7

The New Model of Tax Administration: Computer-Assisted Mass Appraisal, Geographic Information Systems, and Spatial Analysis

Jerome C. German, Lucas County Auditors Office, Toledo, Ohio; and Michelle Thompson, Lincoln Institute of Land Policy

All policy issues concerning value-based taxes, from the distribution of the tax burden to the impact of a tax on land use decisions, depend on a prior determination as to the meaning and computation of value for purposes of taxation. The Institute's courses in

RELATED PUBLICATIONS

Urban Land Markets in Transition (CD)

Edited by Gareth A. Jones

The thirteen papers collected on this new CD were initially written for and presented at the Lincoln Institute conference, "Comparative Policy Perspectives on Urban Land Market Reform in Eastern Europe, Southern Africa and Latin America," held in July 1998 in Cambridge, Massachusetts. Gareth A. Jones of the London School of Economics organized the conference, with Martim O. Smolka and Rosalind Greenstein of the Lincoln Institute, and he coordinated the editing and assembly of these revised papers. Jones also offers a new introduction to this collection.

In many developing countries, governments have embarked on a process of constitutional and institutional change as part of wide-ranging urban policy reform. This CD compiles case studies of changing land market experiences in such diverse countries as Albania, Uganda, South Africa and Chile. The papers examine the precepts, promises and performance of the reforms and assess their impacts on methods of land delivery, changing notions of property rights, social and spatial segregation, and access to land for low-income groups.

The individual papers can be downloaded for free from the Lincoln Institute website (*http://www.lincolninst.edu/pubs/workingpapers.asp*). Enter the author name into the search field.

CD003. $7.00 plus shipping and handling.

Ordering Information

Mail or fax the order form on the inside back cover of this newsletter, order online at *www.lincolninst.edu*, email to *help@lincolninst.edu*, or call 1-800-LAND-USE (800-526-3873).

The Informal City: The Challenge of Latin American Cities

A cidade da informalidade: O desafio das cidades latino-americanas

Edited by Pedro Abramo

Sixteen Latin American researchers with different academic backgrounds provide a comprehensive picture of urban informality in connection with the issue of access to land in the larger Latin American cities. The book's four sections address (1) urban informality issues in Brazil, Mexico, Peru and Argentina; (2) the challenge of policies to legalize property ownership in Latin America; (3) economic issues in the interaction between urban informality and land use; and (4) three projects undertaken by local administrations (Rio de Janeiro, Porto Alegre and Santo André) that have attempted to enforce local policies to confront the informal city.

Edited by Pedro Abramo, professor at the Institute of Urban and Regional Planning and Research at the Federal University of Rio de Janeiro, with the support of the Lincoln Institute, *The Informal City* offers readers a new way to understand the nuances and diversity of informal cities as a first step toward bridging the gap that splits Latin American cities into different worlds from the standpoint of the rule of law, social institutions and access to wealth.

Published in Portuguese by Sette Letras at the Federal University of Rio de Janeiro, Brazil.

2003. 328 pages. Reais 30.00; US$12.00
ISBN: 85-7388-322-7

Ordering Information

Contact: *biblioteca@ippur.ufrj.br*

this area examine the theoretical and practical challenges of the valuation process and the best means of addressing them. Large-scale valuation of land throughout a taxing jurisdiction requires techniques different from the intensive single-parcel approach considered in the course on "The Theory and Practice of Land Valuation." This advanced course reviews innovative methods for integrating computerized appraisal and spatial analysis techniques and considers their place in modern assessment practice.

Audio Conference Training Program for Planning Officials

This series is cosponsored with the American Planning Association (APA). All programs begin at 4 p.m., E.T. and run for one hour. For more information or to register, call the APA at 312-431-9100 or visit APA's website (*www.planning.org*).

WEDNESDAY, OCTOBER 1

Context Sensitive Street Design

Streets are a vital dimension in every community's design but remain an overlooked aspect of public space. Now planners, preservationists and engineers are rethinking the means to reconstruct the urban fabric of communities through street connectivity. Promising new approaches such as transit-oriented design, traditional neighborhood developments and traffic calming are reshaping central cities and suburbs.

WEDNESDAY, DECEMBER 3

Green Infrastructure

More and more communities are coming to recognize the importance of parks, greenways and other islands of green to environmental health and good planning. Find out how some cities are creating an entire infrastructure from existing resources combined with strategic connections and new investments. Discover how to green your community in a way that sustains the environment and enhances livability for residents.

Order Form

LL7/03

COMPLIMENTARY INFORMATION: To receive further information on Lincoln Institute programs, please complete and return this form. Please send me

__ *Land Lines* ____ Institute Catalog

PUBLICATIONS ORDERS: To order specific Lincoln Institute publications or other products, list the items you wish, add up the total cost, including shipping and handling, and send this form with prepayment by check or credit card to Lincoln Institute Information Services. Institutions and booksellers may call 800-LAND-USE (526-3873) for special ordering instructions.

TITLE	PRICE	QUANTITY	TOTAL

* **Within the U.S.**, *add $7.00 for the first item and $1.00 for each additional item.* **For rush and overseas orders**, *call the Lincoln Institute at 800-LAND-USE (800-526-3873) in the U.S., or 617-661-3016 from outside the U.S.*

SUBTOTAL _____

SHIPPING AND HANDLING* _____

TOTAL ENCLOSED (prepayment is required) _____

FORM OF PAYMENT: ____ Check (payable in U.S. funds to Lincoln Institute of Land Policy)

Credit Card: ___ Visa ___ Mastercard ___ American Express

Card Number _____ Exp. Date _____

Signature *(required for credit card orders)* _____

MAILING INFORMATION: Please type or print clearly. Thank you.

Salutation: ❑ Mr. ❑ Ms. ❑ Dr. ❑ Professor ❑ Other: _____

First Name _____ Middle Initial _____

Last Name _____

Job Title _____

Organization _____

Department _____

Mailing Address _____

City _____ State _____ Postal Code _____

Country _____

Phone (_____)_____ Fax (_____) _____

Email _____Web/URL _____

Please check the appropriate categories below
so we can send you additional material of interest.

Please check ONE Organization Type

- ____ Educational Institution
- ____ Public Sector
- ____ Private Sector
- ____ NGO/Nonprofit organization
- ____ Media
- ____ Other

Please check up to FOUR Areas of Interest

- ___ Common property and property rights
- ____ Economic and community development
- ____ Ethics of land use
- ____ Farm and forest land
- ____ Growth management
- ____ Housing and infrastructure
- ____ International
- ____ Land dispute resolution
- ____ Land law and regulation
- ____ Land markets and economics
- ____ Land reform and land tenure
- ____ Land value taxation
- ____ Latin America and the Caribbean
- ____ Natural resources and environment
- ____ Open space
- ____ Property taxation
- ____ Tax administration
- ____ Urban planning and design
- ____ Urban revitalization
- ___ Valuation/Assessment/ Appraisal

Please mail or fax this form *(with your check or credit card information)* to:

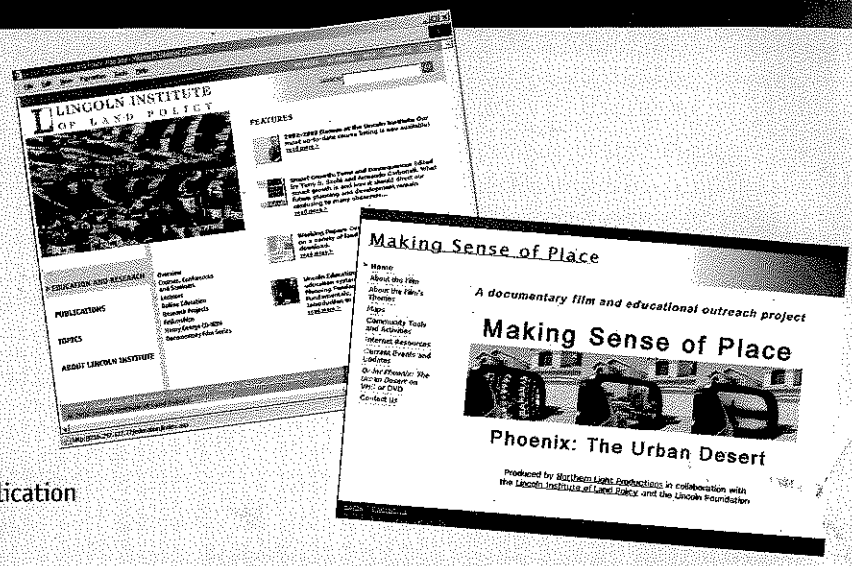
LINCOLN INSTITUTE OF LAND POLICY

Information Services, 113 Brattle Street, Cambridge, MA 02138-3400 USA

Fax: 617-661-7235 or 800-LAND-944 * Email: *help@lincolninst.edu*

What's New on the Web?

The Lincoln Institute's website provides a simplified interface and new features that make it easier for users to quickly obtain information on land and tax policy.



A HIGH-POWERED SEARCH ENGINE FOR TOPICS AND KEYWORDS

COMPREHENSIVE LISTINGS

- Publications by type, title, author and year of publication
- Courses, lectures and other education programs by faculty, date and location
- Research projects by author and topic
- Spanish-language resources

E-COMMERCE

- Order publications and multimedia products
- Register for open admission courses

ONLINE EDUCATION

- Download curriculum materials and more than 650 selected working papers, newsletter articles and other reports for free.
- Access internet-based courses on Planning Fundamentals and Introduction to New England Forests at Lincoln Education Online (LEO) *(www.lincolneducationonline.org)*.

MAKING SENSE OF PLACE

Making Sense of Place—Phoenix: The Urban Desert is a one-hour documentary film about urban growth and change in and around Phoenix, Arizona. A special website *(www.makingsenseofplace.org)* includes the full script and explores the themes examined in the film, such as planning and making communities, desert environment and preservation, regional planning, immigration and economic development, and traffic congestion and development patterns. The website also presents maps, photographs and other graphic illustrations, lists upcoming outreach events and film screenings, and establishes links to related resources, publications and local partners. DVD and VHS versions of the film can be ordered online at the website.

www.lincolninst.edu

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

RETURN SERVICE REQUESTED

Non-Profit Org.
U.S. Postage
PAID
Boston, MA
Permit No. 57852

MR. VESA NELSON
LIBRARIAN
HENRY GEORGE SCHOOL OF SOCIAL SCIENCE, NY
121 EAST 30TH STREET
NEW YORK NY 10016-7302