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# Land Lines

LINCOLN INSTITUTE OF LAND POLICY



# Land Lines

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## Lincoln Institute of Land Policy

113 Brattle Street  
Cambridge, MA 02138-3400 USA

Tel: 617-661-3016 or 1-800-526-3873

Fax: 617-661-7235 or 1-800-526-3944

E-mail: [annleroyer@lincolnst.edu](mailto:annleroyer@lincolnst.edu) (editorial content)  
[help@lincolnst.edu](mailto:help@lincolnst.edu) (information services)

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Plano, Texas. © Alex MacLean/  
Landslides Aerial Photography

## Land Policies for Urban Development

**The Lincoln Institute sponsored a wide-ranging international conference in June on “Land Policies for Urban Development.”** A few of the major themes and messages from the presentations are summarized below.

The three most populous developing countries, China, India, and Indonesia, with 40 percent of the world’s population, are entering the stage of rapid urbanization simultaneously. By 2030, they are projected to add an additional 2.2 billion persons to urban areas, increasing the world’s urban population by nearly 80 percent over the 2000 figure of 2.8 billion. The related infrastructure investment needs are likely to reduce or eliminate any perceived savings surplus in the world. Economic growth and urbanization in most East Asian countries have occurred in coastal regions and near ports. In India, however, urbanization and growth are currently focused on inland cities and on information technology rather than on labor-intensive manufacturing. This may be due to weaknesses in traditional infrastructure services, particularly in transport.

A review of property tax practices across 25 countries found an extremely wide range of practices in terms of tax base definitions, tax rate levels, and assessment practices. In most developing countries property tax rates are very low (a fraction of one percent of market values). Nevertheless, property taxes are one of the few revenue sources under local control and are an important component of local government revenues. Simplicity was found to be a virtue of property tax regimes in developing countries, because complexity raises administrative costs and erodes public support for property taxes.

Efforts to measure land values in urban areas of the United States—either by analyzing vacant land sales or by subtracting the value of the structure from property sales—indicate that they have appreciated more rapidly than construction costs since 1985, with a 2005 value between \$12 and \$24 trillion. This compares to estimates for 1980 of about \$3 trillion, suggesting that land values have increased four to eight times in a period when consumer prices have increased only 2.4 times. In addition, land values have been



**Gregory K. Ingram**

volatile, falling by around 40 percent from 1989 to 1995 in many urban markets before increasing rapidly in the past 10 years.

While average housing prices across the United States have increased faster than construction costs, increases in housing prices have been particularly sharp in urban areas on the West Coast and on the East Coast from the mid-Atlantic region to New England. In these coastal metropolitan areas, median single-family housing prices are near-

ly five times larger than median prices in the least expensive metropolitan areas in other regions.

Analysis across all U.S. metropolitan areas shows a strong association between the level of housing market regulation and the level of prices—metropolitan areas with the most regulations on residential development have the highest housing prices. Moreover, areas with the highest prices also have low growth rates of housing stocks. Together these findings suggest that rapid growth in housing prices in coastal cities is due in large part to growing impediments on the supply side of the market. Supply constraints may not be only a U.S. phenomenon. A review of planning experience in the United Kingdom showed that urban development corporations, which have the power to overrule local regulations, have been more effective than most other approaches in fostering urban revitalization.

The ownership of second homes (for own use, not for rent to others) has been growing rapidly in the United States, and about 5.6 percent of all U.S. housing units were second homes in 2004. The main determinants of second-home ownership are income, wealth, and age of the household head. Second-home ownership is highest for those in their sixties, suggesting that the aging of the baby boom generation will increase second-home ownership. Additional research (and better data) is required to determine if this trend is related to the location or characteristics of a household’s primary residence.

The complete collection of papers and commentaries presented at the conference will be published as an edited volume in 2007. [L](#)



Photos: © Curtis Barnett

# Teardowns: Costs, Benefits, and Public Policy

**The Skiff House at 157 Kenilworth Avenue, Kenilworth, Illinois, is shown before (in winter) and after demolition was begun. The house was subsequently saved.**

*Daniel P. McMillen*

In the past decade, nearly 50 mansions have been demolished and replaced in the historic Chicago suburb of Kenilworth. Four demolition permits are currently pending review, while permits have been approved for two other historically significant houses. To slow the teardown trend, Kenilworth has enacted a nine-month waiting period between issuance of a demolition permit and initiation of the teardown process. However, the village does not have a historic preservation ordinance, and local officials generally support the rights of property owners to demolish and replace their houses. The National Trust for Historic Preservation included Kenilworth on its 2006 list of the 11 most endangered places nationwide (Black 2006).

The practice of demolishing and replacing houses in high-priced areas generates passionate controversy. The fight to save the Skiff House in Kenilworth is illustrative (Nance 2005). That property at 157 Kenilworth Avenue is one of the premier locations in one of Chicago's most expensive suburbs, three blocks west of Lake Michigan and five blocks from the commuter train station in the village center.

The house was built in 1908 for Frederick Skiff, the first director of Chicago's Field Museum of Natural History. This beautiful and historically significant house was designed by the architectural firm of Daniel H. Burnham, who was considered the preeminent architect in America at the turn of the twentieth century. He oversaw the construction of the 1893 World's Columbian Exposition and helped design a series of lakefront parks as part of the 1909 Plan of Chicago.

Plans to demolish the Skiff House shortly after it was purchased in 2004 for \$1.875 million created an uproar. While many neighbors supported the owner's right to tear down the property—after all, they might want to do the same—others saw it as an assault on the community's character. "Save 157 Kenilworth" signs began to appear in front yards throughout the village, and a neighborhood group, Citizens for Kenilworth, led a campaign to save the house. After months of controversy, and only days after an auction to sell off valuable parts of the house before demolition, a neighbor purchased the house for \$2.35 million in order to save it.

Historic houses continue to be torn down in Kenilworth and elsewhere, but not all teardowns

generate controversy. Residents of many Chicago suburbs have been supportive of the teardown trend. Naperville is a representative case. Founded in 1831 and incorporated in 1857, Naperville grew slowly until plans for the East-West Tollway (I-88) were announced in 1954. The population grew from 7,013 in 1950, to 21,675 in 1960, to 140,106 today.

Naperville's downtown has undergone a renaissance over the last decade, attracting new restaurants, shops, and residences. Although the city has a historic district just to the east of the downtown area, teardown activity has been concentrated in what were formerly more humble areas. Small, older houses are being purchased for about \$400,000 and replaced by much larger houses that may sell for \$1 million.

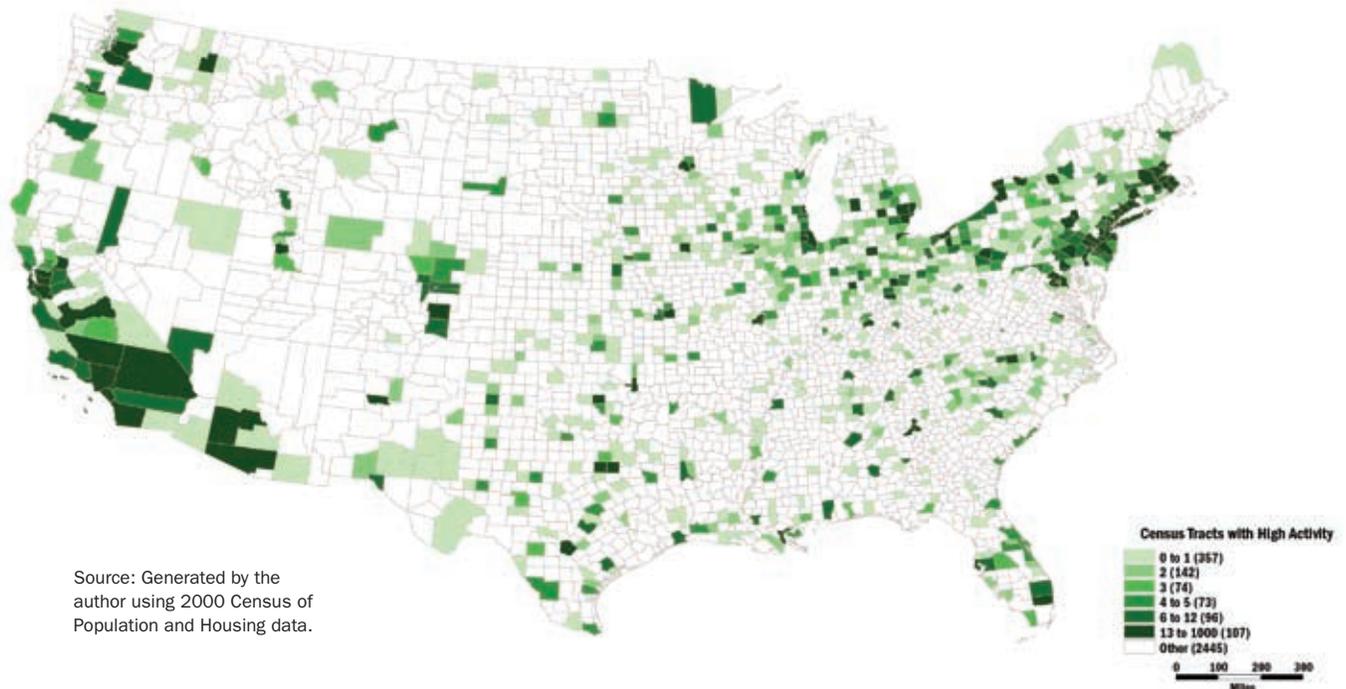
The teardown trend in Naperville is illustrated by one small house being sold as a teardown, with an announcement of an upcoming public hearing posted in the yard. It is likely to be replaced by a house that is similar to the recently constructed house next door (see pages 6 and 7). Though teardown activity is not entirely without controversy in Naperville, it does not generate the same passion as the Skiff House did.

### How Widespread is the Teardown Phenomenon?

Nationwide the teardown phenomenon has attracted much media and public attention. The decennial Census of Population and Housing offers a way to quantify the practice using the "net replacement method." For example, suppose the Census lists 10,000 housing units in an area for 1990 and 10,500 units in 2000—an increase of 500 units. Now suppose the Census shows that 800 housing units were built during the decade. Then 300 of the newly built units must have simply replaced existing units. The 300 replacement units are a crude but nonetheless enlightening measure of teardown activity in that community.

Figure 1 shows counties where at least one census tract had a net replacement rate in excess of 4 percent. Teardown activity is clustered in older urban areas in the Northeast, Midwest, and California. In fact, the map does not look substantially different from a map of population density in the United States. This simple analysis shows that replacement of the preexisting housing stock is an extensive phenomenon that is national in scope.

**FIGURE 1**  
U.S. Census Tracts with High Activity of Teardowns



Nevertheless, it is surprisingly difficult to track teardown activity on a case-by-case basis. The classic teardown is a house whose sale is followed by the issuance of both demolition and building permits, but timing is a key factor in tracking these permits. If a demolition permit is issued four years after a sale, was the house really sold as a teardown? Similarly, a building permit may be issued long after a dilapidated house was demolished, yet this situation is not what most people have in mind when they think of teardowns.

**Allowing people to tear down a small, outdated house and replace it with a modern house may induce them to stay in centrally located areas.**

Some teardowns are carried out by the current owner without a sale. Other houses are so extensively remodeled that they are effectively teardowns, even though no demolition permit is issued. Even when data on sales, demolition permits, and building permits are avail-

able, it is difficult to merge the different sources of information since they frequently come from different agencies that vary in the quality of their database management.

The National Trust for Historic Preservation has described the Chicago metropolitan area as the “epicenter of teardowns.” Aside from Kenilworth, teardowns are common in both the city of Chicago and its suburbs. The Village of Skokie (2005) surveyed 20 of its neighbors in Chicago’s near north suburbs and compared the number of detached single-family housing unit demolition permits from 2000 to 2003 to the total number of such units as reported in the 2000 U.S. Census. Thirteen of the 20 communities reported demolition permits representing more than 1 percent of the housing stock over the four-year period.

Richard Dye and I (forthcoming) have used data from Chicago and six suburban communities to document the degree of teardown activity in the region. We were able to obtain data on house sales and demolition permits for Chicago; one of its suburbs to the west, Western Springs; the northwest suburb of Park Ridge; and four suburbs on the North Shore—Glencoe, Kenilworth, Wilmette, and Winnetka.

Between 1996 and 2003, the number of demolition permits ranged from 29 in Kenilworth to 273 in Winnetka and 12,236 in Chicago. Of course, Kenilworth has only 2,494 residents, whereas Winnetka’s population is 12,419, and Chicago has 2.9

million residents. Figure 2 shows the number of demolition permits as a percentage of total housing units for each community. More than 9 percent of Winnetka’s housing stock was torn down between 1996 and 2003, and teardown rates were also quite high in Winnetka and Kenilworth. Even Chicago, with more than 400,000 housing units, had a demolition rate near 3 percent.

These six suburbs were not chosen randomly. All had high median incomes in 2000, ranging from \$73,154 in Park Ridge to more than \$200,000 in Kenilworth. All of these suburbs have stations on commuter train lines to downtown Chicago, little or no vacant land on which to build, and good schools and other local public services. In other words, demand to live in these suburbs is high. Teardown activity in Chicago is concentrated in comparable neighborhoods within the city, such as Lincoln Park, West Town, and Lakeview on the near north side.

**The Costs and Benefits of Teardowns**

Teardowns can impose significant social costs. Local residents often complain that new houses destroy the character of a neighborhood. Those houses may be built to the limits of the zoning code, tower above their neighbors, and reach to the edge of the property line. Sometimes neighbors simply dislike the design of new buildings, particularly those that replace historic houses. When tall apartment buildings replace single-family houses or two-family houses in the city, neighbors complain of the loss of sunlight, lack of parking spaces, and increased traffic congestion. The construction process itself can be noisy and disruptive. New, expensive houses may cause assessments to increase in the neighborhood. And, teardowns may reduce the stock of affordable housing.

Teardowns also carry some benefits, however. In places that rely on the property tax to fund local services, the additional revenue from high-priced replacement houses is often quite welcome. Not all teardown buildings are historic, architecturally significant, or mourned when they are demolished. Some teardowns are simply eyesores. Some of the new houses being built today will eventually be viewed as historically significant properties in their own right. Once entire blocks are rebuilt, the new housing no longer looks out of place. It is surprising to discover how stark and incompatible some properties built in the early 1900s appear in historic photographs taken before trees grew and the neighborhood filled in with similar houses.

It also is important to recognize that teardowns may help to curb sprawl. One reason people move to the urban fringe is to build a new house in a contemporary construction style. Allowing people to tear down a small, outdated house and replace it with a modern house may induce them to stay in centrally located areas. In general, encouraging housing and economic growth helps maintain the vitality of previously developed areas, which is a strategic complement to anti-sprawl policies designed to limit growth at the fringe.

### Policy Responses

Local jurisdictions have been creative in responding to teardowns. Some policies are designed to slow the amount of teardown activity by making it more costly, through demolition fees and fines for illegal demolitions. Others, such as a moratorium on new demolition permits or an enforced waiting period between permit issuance and the time when demolition can start, are simply designed to cool a potential teardown fever. Such policies also raise the cost of teardowns by making developers wait for some time after purchasing a property before being able to recoup their costs. Complementary policies include landmark designation and historic district designation, which make it more difficult or even impossible to tear down existing structures.

Policies on the other side of the balance sheet may give developers an incentive not to demolish existing structures. Communities may offer tax breaks to owners who rehabilitate existing houses rather than demolish them to build new ones. Or,

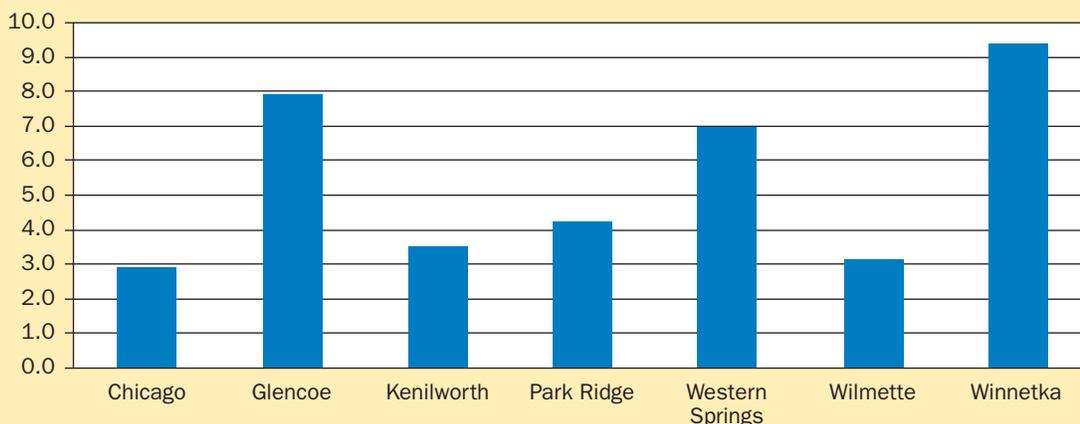
owners may be granted variances from restrictive zoning provisions in order to enlarge rather than demolish an existing house.

At the same time, jurisdictions often use zoning to influence the type of new housing that is built in their community. Lot-coverage and floor-area restrictions are used to ensure that new structures do not dwarf their neighbors. Other policies include maximum building sizes; set-back and open space requirements; and restrictions on such design elements as garage and driveway locations, roof pitch, bulk limits, solar access, and the alignment of the new house with neighboring structures. Many communities have design review boards that can revoke building permits for structures that are not in compliance. These standards are not always clear beforehand, however, and they can increase the level of uncertainty for developers, delay construction, and raise costs.

Even if communities do not attempt to curb teardown activity, they often adopt policies designed to reduce the disruption caused by new construction. The builder may be required to notify neighbors when construction is about to begin, and a time window may be imposed for completion of the building. Construction activity may be limited to certain hours of day, the site may need to be fenced, and work vehicle and dumpster location requirements are often imposed. Communities also may require that contractors be bonded and certified.

How successful are these policies in slowing the rate of teardown activity? As we have seen, the Skiff House was saved because Kenilworth's nine-month

**FIGURE 2**  
Demolition as a Percentage of Total Housing, 1996–2003



Source: Data compiled by Dye and McMillen (forthcoming).

**LEFT**  
**A small house for sale in Naperville, Illinois, advertises a public hearing in anticipation of demolition.**

**RIGHT**  
**This new house was built next door following a teardown.**



Photos: © Daniel P. McMillen

waiting period between permit issuance and the start of demolition provided enough time for a buyer to step forward before the house was razed. However, the potential for profits in such transactions make it difficult to stop teardowns completely. If a developer can purchase an existing property for \$300,000, demolish it for \$20,000, and spend \$400,000 to build a new house according to current construction standards, then he has incurred \$720,000 in costs. With new upscale houses routinely selling in excess of \$1 million in communities with many teardowns, it should not be surprising that developers continue this practice.

**Implications for Land Values**

Assessors encounter enormous difficulties in placing a value on land in built-up areas. When few vacant lots exist, it is nearly impossible to find enough sales of vacant land to assess the value of land accurately. In the absence of direct land sales data, land values can be estimated by subtracting construction costs less depreciation from the sale price of improved properties in the area.

Statistical analysis of mass appraisal data can account for such structural characteristics as square footage in order to control for the contribution of the building to total property value. With a com-

plete set of these characteristics, the residual from the regression reflects the contribution of location to property value—in other words, land value. Unfortunately, any unobserved structural characteristic will also be part of the residual.

Teardowns can help estimate the value of land in developed areas. Consider the earlier example of a property that is purchased for \$300,000, demolished for \$20,000, and replaced by a million-dollar house. If the developer could purchase a vacant lot of the identical size next door for \$290,000, which property would he prefer? If there is no salvage value for parts of the existing house, it will cost the developer \$320,000 before it is possible to build on the lot with the existing house. Yet the vacant lot is available in the same general location for \$30,000 less. The vacant lot is preferable even though it does not include a house—in fact, it is preferable precisely *because* it does not include an existing structure.

If the price of the vacant lot rises to \$310,000, the developer still obtains a lot that is ready to build upon for \$10,000 less than the cost of building on the neighboring lot. Only at \$320,000 will the developer be indifferent between the two lots. It follows that the value of land in this case is \$320,000. This key insight leads to an extremely useful method of valuing land in areas experiencing teardowns. The



value of land is simply the sales price of a teardown property *plus* any demolition cost.

An important implication of this line of reasoning is that only location determines the value of a teardown property; characteristics of the structure are irrelevant except insofar as they influence demolitions costs or salvage value. This implication is somewhat surprising to people who think that a historic house has intrinsic value. Though it is tempting to think that the Skiff House in Kenilworth is worth approximately \$2 million because of its historic and architectural value, a vacant lot next door would sell for nearly the same price. *Any* house near Lake Michigan in Kenilworth will sell for well more than \$1 million. The conclusion to be drawn is simply that land is expensive along Chicago's North Shore.

Richard Dye and I (forthcoming) test the prediction that only location characteristics influence sales prices in our sample of seven communities in the Chicago area. Our measures of location include such variables as lot size, distance from the nearest commuter train station, and proximity to Lake Michigan. Structural characteristics include such variables as building size, age, and whether the house is built of brick and has a basement, garage, or fireplace. We identify teardowns as houses for

which a demolition permit was issued within two years of a sale. As predicted, structural characteristics do not significantly influence the sales price of teardown properties. Teardowns are purchased for the land underneath.

### Final Thoughts

The teardown phenomenon is not new. Houses have been demolished and replaced for as long as they have been built. American cities grew rapidly in the late nineteenth and early twentieth centuries and again in the years just after World War II. Tastes now appear to be changing toward larger houses with spacious rooms and high ceilings.

Many people find the existing housing stock less desirable than new construction. In this situation, it is not surprising that buyers purchase, demolish, and build new houses, especially in high-demand areas. The trick for local governments is to keep the costs of teardown activity from overwhelming the less obvious benefits. **L**

### ▶ ABOUT THE AUTHOR

**DANIEL P. MCMILLEN** is professor in the Department of Economics and the Institute for Government and Public Affairs at University of Illinois at Chicago. He has published widely in urban economics, real estate, and applied econometrics. He is a visiting fellow in 2006–2007 at the Lincoln Institute. Contact: [mcmillen@uic.edu](mailto:mcmillen@uic.edu).

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# SMART GROWTH IN MARYLAND



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*Gerrit-Jan Knaap and Dru Schmidt-Perkins*

In the nearly 35 years since Bosselman and Callies (1972) published *The Quiet Revolution in Land Use Control*, land use policies in states across the nation have continued to change and evolve. The state of Maryland offers a good example. The history of land use policy in Maryland records a variety of conservation, development, and growth management acts, but in 1997 the state burst into the national spotlight with its innovative Smart Growth and Neighborhood Conservation package of land use reforms.

Today, some 10 years later, a new initiative is aiming to take the reform process in Maryland even further. Named Reality Check Plus: Imagine Maryland, this effort is supported in part by the Lincoln Institute, along with other nonprofit organizations, foundations, corporations, and individuals. It remains to be seen how far this effort will go and in what ways it may produce significant policy change, but regardless of the outcome it represents an interesting test of whether a privately led reform initiative can foster land use change at state and local levels.

## **A Rich Planning History**

Maryland has a longstanding reputation as a national leader in land use policy and planning. The historical roots of Maryland's smart growth program date to 1933, when Maryland established the nation's first state planning commission. Recent planning history begins with the formation of the Chesapeake Bay Commission in 1980. Although the commission has no explicit land use authority in the signatory states (Maryland, Pennsylvania, and Virginia), its recommendations have been instrumental in shaping land use policy in Maryland. The state's Critical Area Act of 1984, for example, required local governments to adopt special development regulations within a 1,000-foot buffer of the Bay shoreline, and the Economic Growth, Resource Protection, and Planning Act of 1992 required local governments to address six visions originally outlined in a report prepared for the Chesapeake Executive Council (DeGrove 2005, 254–256).

Although the 1992 Planning Act provided a framework for local comprehensive plans, it failed to stem the tide of urban sprawl, according to the

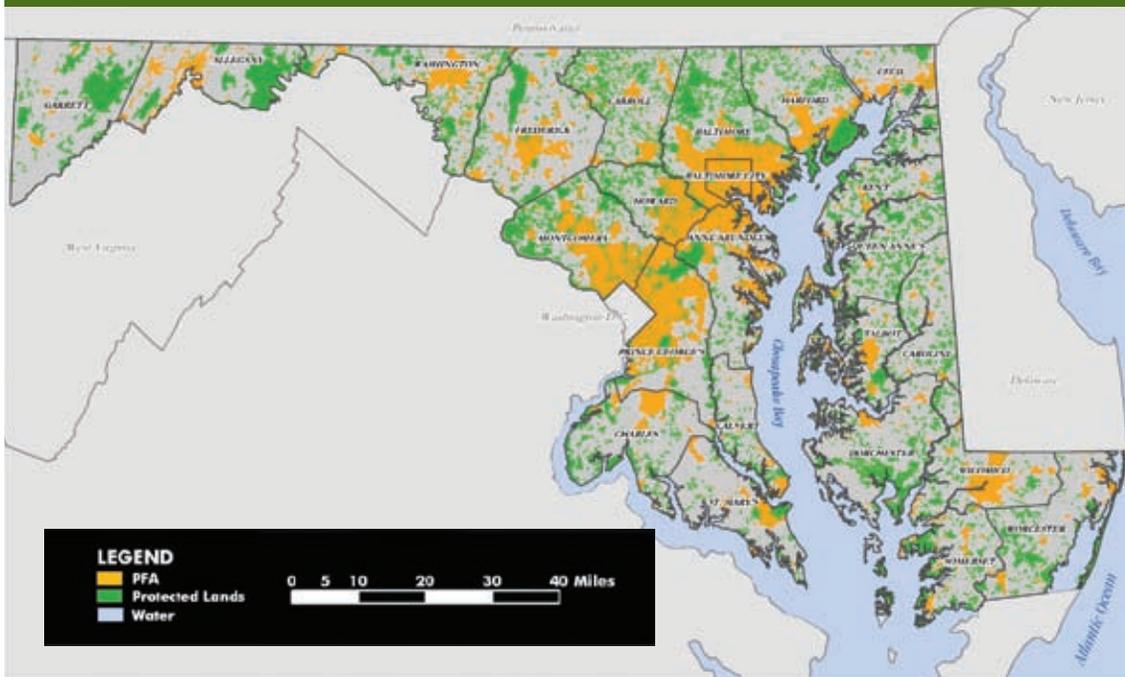
# FACING A NEW REALITY

Growth Commission, established by the act as a new state advisory body. Following an extensive listening campaign, many meetings, and frequent forums, Governor Parris Glendening (1995–2003) proposed and the 1997 legislature passed the initiatives that have led to Maryland’s recognition as a leader in the promotion of smart growth. The original 1997 package of smart growth legislation included five separate measures; the first two captured the primary focus of the program (see Figure 1), and three others supported the overall concept.

- **The Priority Funding Areas (PFAs) Act:** This act launched a program in which state subsidies for new roads, water, and other infrastructure are available only for projects that are either within municipalities, inside the beltways around Baltimore and Washington, or in other areas designated by counties that meet certain criteria set by the state. This landmark legislation marked the first time the state restricted its expenditures on infrastructure or other growth-related expenses to specific geographic areas of the state.

- **The Rural Legacy Act:** Under this program the state provides funds for local governments and/or land trusts to purchase development rights on properties (and, in rare instances, purchase the property itself) in rural areas threatened by development, in order to preserve agriculture, forest, and natural resource lands in contiguous blocks, corridors, or greenways. This program recognized that efforts to concentrate new development within existing communities would not be completely successful and that the best remaining farms and natural areas of the state should be identified and protected.
- **Brownfield Voluntary Cleanup and Redevelopment Act:** This act launched a program that provides financial incentives, technical assistance, and liability protection to eligible participants in the cleanup and redevelopment of underutilized or abandoned industrial properties that are, or are perceived to be, contaminated.
- **Live Near Your Work:** This program promoted linkages between employers and communities

FIGURE 1  
Priority Funding Areas and Protected Lands in Maryland



Source: Maryland Department of Planning

by offering incentives to enable employees to buy homes in proximity to their workplace.

This small but popular program subsequently lost state funding due to budget constraints faced by the administration that followed Glendening.

- **Job Creation Tax Credit Act:** This act launched a program designed to boost employment within the newly established PFAs by providing state income tax credits to employers who created 25 or more new, full-time jobs in those areas.

### Incentive-based Programs

Maryland's smart growth programs are interesting in a number of ways, but the most distinctive feature is their reliance on spatially specific incentives instead of land use regulations (Cohen 2002).

For example:

- Local governments can grow wherever they want, but state funds for accommodating development are available only within PFAs.
- Property owners need not clean up and redevelop their properties, but grants are available for doing so.
- Residents can live anywhere, but grants may be available if they purchase homes near their work.
- Farm and forest lands can be developed, but development rights can also be sold and extinguished or, in some counties, transferred to more desirable locations.
- Business can expand anywhere, but tax credits are available for expansion only in certain locations.

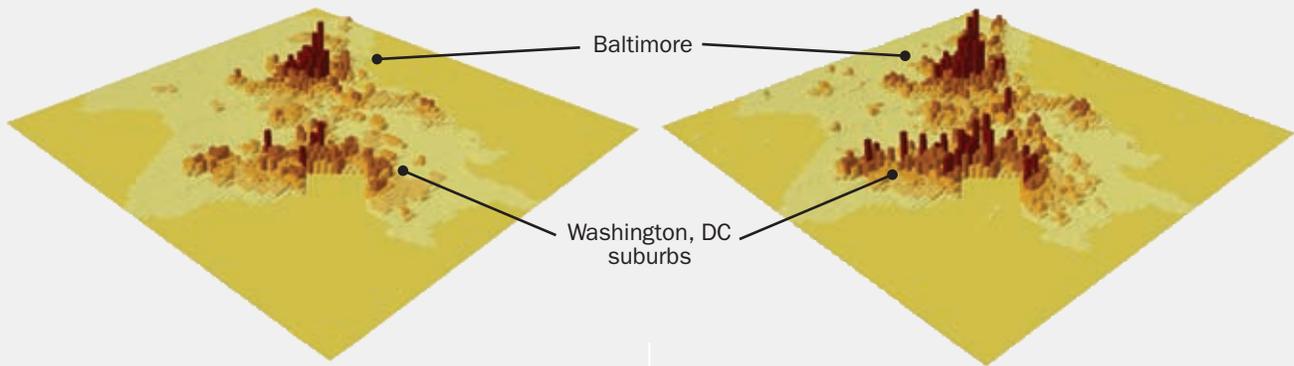
This reliance on incentives is what enabled these programs to pass the Maryland legislature, and what makes them so attractive to other states. After nearly 10 years, Maryland remains a national model for state efforts to promote smart growth, although many within the state believe the program has not gone far enough. According to John W. Frece, a former aide to Glendening, the smart growth program was “unquestionably a move in the right direction,” but it also represented only as much change as was politically possible at the time (Frece 2005). He concludes that the Maryland program might have been more effective if it had set specific goals and benchmarks when it was created, and that it failed to conduct any statewide visioning or other exercises to determine what the public thought their region or state should look like in the future. He also notes that the basic planning blocks of smart growth, the priority funding areas, proved to be too weak and porous to slow sprawl, much less stop it.

Because Maryland's smart growth policies relied extensively on state incentives, their efficacy waned when those incentives were not maintained after Glendening left office. In some cases the policies were simply insufficient to counteract the economic factors that drive sprawl development. Moreover, if a development project was approved by the local government but did not need or rely on financial incentives from the state, the smart growth initiative had no effect on it. Finally, the smart growth program skirted the politically sensitive issue of whether the state should have more authority over local land use decisions. If local decisions were contrary to the state's smart growth policies, the state had little recourse (Frece 2005).

Several recent studies support these assertions.

- A pair of studies by 1000 Friends of Maryland that focused on the Baltimore area (1999) and the Eastern Shore (2001) found great variation in county land use policies. Whereas some counties had strong policies to protect natural resources, encourage infill, and promote mixed land uses, others did little to support any of these goals.
- An examination of land conversion to urban uses from 1992 to 2002 found that urban development after 1997 was more likely inside PFAs than outside them, but only in those counties that had strong urban containment programs before 1997 (Shen and Zhang forthcoming).
- In an examination of investments in wastewater infrastructure, Howland and Sohn (forthcoming) found that a large share of wastewater investments—even investments funded by the state—continued to occur outside of PFAs after 1997.
- Research on brownfield redevelopment in Maryland by Howland (2000; 2003) found that those sites take no longer to sell than greenfield properties, as long as their asking prices are appropriately discounted. Further she found that the most significant impediments to brownfield redevelopment are inadequate infrastructure, incompatible surrounding land uses, and poor truck accessibility.
- In an analysis of Maryland's Job Creation Tax Credit Program, Sohn and Knaap (2005) found that the effects of the tax credits on the location of job growth are small and sector specific, and perhaps cause more job redistribution than actual job growth.
- In a series of studies on local land use policies in Maryland, the National Center (2003; 2006) found that zoning policies and adequate public

**FIGURE 2**  
**Distribution of Households in Central Maryland, 2000 and 2030**



**These two graphics illustrate in three dimensions the distribution of households in the Baltimore-Washington corridor in 2000 (left) and the composite distribution as envisioned for 2030 by participants at the Central Maryland Reality Check Plus event in June. A preliminary analysis of the Legos visioning exercise revealed that participants preferred to see an increase in the share of both households and jobs near transit stations and inside priority funding areas, but a decrease in the share of households and jobs inside the Baltimore and Washington beltways.**

facilities ordinances can serve as impediments to development in PFAs and can deflect growth to rural areas and neighboring states.

- A comprehensive analysis of the Rural Legacy Program by the Maryland Department of Planning (Tassone et al. 2004) found that the efficacy of the program depends critically on support from local zoning ordinances. In counties where local zoning is not supportive, land fragmentation in rural legacy areas is high, residential development remains common, and conservation easements become prohibitively expensive.

These reports suggest that although Maryland has adopted some of the most innovative land use policies in the country, there is limited evidence that these policies have significantly altered urban development trends. The reasons are complex, but the available research suggests that state incentives are either too small or are poorly suited to the situation to have major impacts on land development trends, especially without supportive regulatory policies at the local level.

### **Reality Check Plus: Imagine Maryland**

To rekindle interest in urban development trends and land use policy in Maryland, and to advance progress in land use reform, a new initiative was launched in 2005. Reality Check Plus: Imagine Maryland is a broad-based, long-term effort led by the Baltimore District Council of the Urban Land Institute (ULI),

the National Center for Smart Growth Research and Education at the University of Maryland, and 1000 Friends of Maryland. It is also supported by more than 130 organizations throughout the state.

The first component of the effort involved four public participatory visioning exercises based on similar exercises in Washington, DC, and Fredericksburg, Virginia, led by ULI and the National Center for Smart Growth. In these exercises citizens representing civic, government, and business interests, including elected officials, were literally brought to the table to confront the issues of urban growth and express a desired vision for their region's future. The Maryland exercises were held in May and June in four regions: the Eastern Shore, Southern Maryland, Western Maryland, and the Baltimore-Washington Corridor. Participants expressed their vision for where future growth should go by placing plastic Lego® blocks representing projected job and housing growth through 2030 on large, table-top regional maps.

The final results of the four Maryland exercises will not be fully integrated and analyzed until September, but preliminary results presented at each event reveal similar but distinct results (see Figure 2). The consensus visioning principles expressed public desires to (1) protect open spaces and natural resources; (2) utilize existing infrastructure; (3) concentrate growth near transit stations in existing urban areas; and (4) balance the location of jobs and households. And at all four events, the placement of Legos was consistent with these principles.

## The Visioning Experience

At each Reality Check Plus event, up to 10 participants at each table were asked to think about how their region should accommodate the growth projected over the next 25 years. A six-foot by eight-foot map of the region was shaded in various colors to represent the existing population and employment density. The maps also depicted major highways; subway and commuter rail lines and stations; parkland or other protected conservation areas; airports, military bases, and other government installations; and rivers, floodplains, and other bodies of water.

To encourage participants to think regionally rather than locally, all jurisdictional boundaries were intentionally omitted, although place names of cities and towns helped with orientation. Each table was staffed by a scribe/computer operator and a trained facilitator to lead the three-hour exercise. Before considering where to accommodate growth, participants were asked to reach consensus on a set of principles to guide their decisions about where to place the new development, such as protecting open space, making use of existing infrastructure, and maintaining jobs-housing balance.

The exercise used Lego® blocks of four different colors: white blocks represented the top 80 percent of new housing units in the region based on price, or essentially market-rate housing; yellow blocks represented the bottom 20 percent of housing based on price, essentially a stand-in for unsubsidized affordable housing; black blocks represented lower density housing development that could be exchanged for higher density white blocks at a ratio of 4:1; and blue blocks represented jobs.

The maps were overlaid with a checkered grid and scaled so a single block fit on each grid. Participants who wanted to



Participants at the Reality Check Plus event in Baltimore.

add more than one housing or employment block to a single grid simply stacked the blocks. Those who proposed a mixed-use development pattern could stack various types of blocks together. Once all the Legos were placed on the map, the result yields a three-dimensional representation of where future growth in the region is or is not desired.

After all the Legos were placed, the participants were asked to assess their work. Have they allocated jobs and households across the region in a manner consistent with their vision for what the future should hold? Does the quantity of growth seem appropriate for a 25–30 year timeframe, or would they prefer more or less growth? Finally, if they are comfortable with the consensus vision, what policies or land development tools do they favor for assuring that the preferred vision is the one that is actually realized? What new infrastructure will be necessary to accommodate the projected level of growth? What might be the environmental impacts and tax implications? The participants' considered responses to these questions are perhaps the most important products of the exercise.

During the lunch break a team of

students from the University of Maryland counted the numbers of Legos at each table, entered the information into a computer, and then converted the results into two- and three-dimensional maps for each table. The data were also analyzed and inserted into a formatted PowerPoint presentation. The slides identified results for each table in a quantitative analysis of urban development indicators, such as percentages of jobs and households within one-quarter mile of a transit station; inside metropolitan beltways; inside existing urban areas; and in existing greenfields and farmland. Other indicators measured location of affordable housing and the degree to which it is integrated with market-rate housing; and the extent of jobs-housing balance.

After lunch the participants gathered in a large auditorium to hear a presentation of the results, which included a summary of the consensus principles, selected results from various tables, and a synthesis of the results from all the tables. Subsequent events included a town hall-type panel discussion focused on how to implement the pattern of development envisioned by the participants at each regional event.

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Specifically, when compared with current development patterns, participants placed larger proportions of growth inside PFAs and near transit stations and high-way corridors, and placed more jobs in job-poor areas.

Notable support was given in all regions for new and expanded transit service and for more regional cooperation or even regional authorities to plan for future growth. There were also some important regional differences: participants from the Eastern Shore focused on protecting the region's small town and agrarian way of life; in Western Maryland there was concern about uneven economic growth; the primary concern in Central Maryland was traffic congestion; and in Southern Maryland there was apprehension about the impacts of growth in military jobs.

Although these exercises represent one of the largest forums on growth ever conducted in a single state, it is important not to overstate what these events can produce. A pile of Legos placed on a table for a few hours cannot be confused with a thorough analysis of alternative development patterns, a careful consideration of consequences, and a true statewide consensus about the results. These events, however, do represent an important beginning to what must be a continuing dialogue on growth in the state.

In September, during the state's quadrennial election cycle, a synthesis of the four regional events will be presented at a statewide forum. Candidates for state and local office, including candidates for governor, will be invited to attend and pledge their support for implementing the results. In the meantime, each of the three lead organizations is developing work plans for the implementation phase. The Baltimore District Council of ULI will offer a series of education and outreach programs designed to disseminate the results of the four events throughout each region, especially to elected officials. 1000 Friends of Maryland will sponsor a series of candidate forums and regional caucuses to encourage the implementation of the results, especially through state and local policy reform. The National Center, with support from the Lincoln Institute, will conduct more extensive analyses of alternative statewide development scenarios and existing land use policies in Maryland and other states.

For Maryland, these four regional exercises, and whatever changes in land use policies may follow, represent just the latest chapter in the state's closely watched history of land use planning and policy. For other states, these exercises represent a rare natural experiment. Can a privately led visioning exercise precipitate significant change in the substance of state and/or local land use policy, local development decisions, and development trends? Stay tuned. **L**

## ABOUT THE AUTHORS

**GERRIT-JAN KNAAP**, an economist and professor of urban studies and planning, is executive director of the National Center for Smart Growth Research and Education at the University of Maryland. He is one of three co-chairs of the Reality Check Plus visioning exercise. Contact: [gknaap@umd.edu](mailto:gknaap@umd.edu)

**DRU SCHMIDT-PERKINS** is executive director of 1000 Friends of Maryland, a statewide citizens' coalition that supports protection of natural resources, revitalization of existing communities, preservation of historic resources, efficient and effective transportation choices, and development that takes into account the public's interest. She is also one of three co-chairs of the Reality Check Plus project. Contact: [dru@friendsofmd.org](mailto:dru@friendsofmd.org)

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# Property Taxation and Informality: Challenges for Latin America



*Martin O. Smolka and Claudia M. De Cesare*

**R**ampant informality, so emblematic of large cities in developing countries, poses many challenges for property taxation systems. For instance, tenure rights in informal settlements are often obscure or even unknown; buildings are constructed gradually over time, self-construction is common, and the whole unit may never be finished; property value depends on vague or intangible factors such as the security provided by community organizations; the occupant

or even the legal owner may be too poor to pay taxes; administrative costs of tax collection are higher than in the formal areas, whereas assessed values are often much lower; and there is hardly any public investment in infrastructure and services.

These critical features of informal housing seem to violate many of the premises on which the administration of a property tax system is grounded: identification of taxable property and corresponding taxpayers; description of the property's physical characteristics; determination of property values on a reasonable market basis and according to predictable measures; the taxpayer's presumed ability to pay; collection costs that are relatively low compared to the revenue collected; and an expectation that tax revenues would benefit the area from which the tax was collected.

This comparison depicts the essence of the conventional wisdom on informal occupations and the reasons why they are generally disregarded for taxation purposes, but misconceptions and prejudices are evident. This article examines some of these biases and their consequences for property tax collection in informal areas. The Latin American situation is used to illustrate this debate, but this study is still exploratory due to limited data. The arguments discussed indicate promising directions for further analyses, rather than conclusive findings in most cases.

## **Informal Occupations**

In land occupation and housing, informality is a multidimensional phenomenon involving thorny issues related to land tenure; noncompliance with urban norms and regulations, such as minimum lot size, allowance for public spaces, and street layouts; inadequate provision of public services and equipment; and occupation of improper areas, such as environmentally protected or ecologically risky areas and contaminated brownfield sites.

Slums originated by land invasions are the first image of informality that comes to mind, but

other social and physical forms of informality range from pirate subdivisions, usually characterized by market sales of land having no clear title, to situations where even legally qualified owners with titled land do not conform to existing urban norms and regulations.

According to the United Nations–Habitat (2003), about 928 million people (32 percent of the world’s urban population or 43 percent of the population of developing countries) currently live in slums with precarious urban infrastructure and inadequate public services. If current trends and policies continue, the report estimates that slum populations will increase by 37 million per year to reach a total of 1.5 billion people in 2020. Although Latin America accounts for 9 percent of the world’s population, it comprises about 14 percent of those who live in slums.

### Why is Informality a Problem?

Informality disorganizes the functioning of urban land markets, since illegal, irregular, and clandestine operators are able to reap higher profits by avoiding some costs, such as taxes, the cost of protecting the land from invasions, or the cost of providing basic urban infrastructure and services. Contrary to expectations, land prices per square meter in informal settlements are often higher than those in formal areas, when discounting investments related to the provision

of water, electricity, drainage, sewerage, and other services.

Moreover, informality is expensive for society. The costs of curative policies to upgrade irregular settlements are higher than the cost of new land development, and indirect social costs include the presence of criminal activity and natural disasters caused by development in environmentally sensitive areas. The evidence also suggests that informality is both a cause and an effect of urban poverty. The geographic distribution of poverty tends to overlap with the spatial pattern of informal arrangements, although the magnitude and persistence of informality cannot be entirely explained by poverty. A survey conducted by the Instituto Pereira Passos (2002) based on the Brazilian Census of 2000 found that about 64 percent of the population classified as poor actually lived outside the slum areas.

### Myths of Informality

There are many prevailing myths about how informal settlements are either established or operated, including the perception that occupants in informal areas are neither willing nor able to pay property taxes. In fact, not only are occupiers usually willing to pay the tax as a way to legitimate their land tenure, but they are often quite able to pay it. New occupants, in fact, have already paid the property tax in the form of higher land prices,



**Informal settlements with street addresses help to legitimate the occupants and may assist the city in monitoring property ownership and tax collection records.**

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yet the payment went to either the subdivider or original landowner instead of the government.

Moreover, payment of the property tax by occupants of informal areas is likely to legitimate their right to demand public services and other urban improvements from government authorities. Many informal occupants also realize that private provision of basic services through informal means, such as buying water from a truck, is likely to be more costly and risky than payment of the property tax.

Other myths or assumptions about informality include beliefs that occupants of informal settlements are necessarily poor; informal settlements are occupied only by unemployed and informal workers; formal property title is necessary to obtain access to credit; informal settlements are homogeneous entities clearly distinguished from formal settlements; and occupation of informal settlements is made through nonmarket transactions.

### Property Tax Collection

In an attempt to relate property tax collection per inhabitant to the presence of informality, we used

data based on a survey of municipalities conducted in 1999 by the Instituto Brasileiro de Geografia e Estatística (IBGE 2001). Table 1 presents data that measured two criteria: the occurrence of slums (i.e., informal settlements caused by invasions) and the existence of all types of irregular land development. Slums occur in 27.6 percent of all municipalities in Brazil, while irregular land development (including slums) occurs in almost 44 percent of them. The maximum value of property tax collected is higher in larger municipalities and those with slums and other irregular developments, and the revenues also tend to be higher on average than in those municipalities without such development.

However, Table 2 illustrates the difficulty of monitoring property ownership and tax collection records by comparing the presence of cadastres in municipalities with records on slums and informal settlements. Local cadastres cover information on slums in 52.5 percent of the municipalities in which they are found, but only 39 percent of those cities have complete records on informality. By comparison, 50.5 percent of municipalities with irregular

**TABLE 1**  
**Property Tax Revenue versus Informality**

		All Municipalities	Slums			All Irregular Land Development		
			No	Yes	Data Not Available	No	Yes	Data Not Available
Number of Municipalities		5,506	3,971	1,520	15	3,077	2,418	11
Percent (%)		100	72.12	27.61	0.27	55.88	43.92	0.20
Collected Property Tax Revenue per Inhabitant, 1998 (R\$) *	Mean	9.51	7.44	14.51	7.95	6.54	12.67	170.90
	Standard Deviation	28.18	20.00	41.37	9.36	20.20	33.99	238.06
	Coefficient of Variation (COV) (%)	296.27	269.00	285.08	117.73	308.68	268.29	139.30
	Minimum value	0.00	0.00	0.00	0.08	0.00	0.00	2.56
	Maximum value	938.97	502.43	938.97	26.59	502.43	938.97	339.24
Population, 1996	Mean	28,196.19	13,716.45	66,087.52	21,810.80	14,410.57	45,816.30	11,187.00
	Standard Deviation	173,130.98	21,021.30	324,780.00	28,830.78	50,757.57	13,798.50	15,040.52
	Coefficient of Variation (COV) (%)	614.02	153.26	491.44	132.19	352.22	30.12	134.45
	Minimum Value	754	754	1,404	4,388	754	1,089	1,119
	Maximum Value	9,839,066	438,986	9,839,066	112,712	1,965,513	9,839,066	55,033

Source: Based on 1999 data from *Instituto Brasileiro de Geografia e Estatística* (IBGE). 2001.

\* The property tax value is in the Brazilian currency (Real, R\$). On average in 1998, 1US\$ = 1,16R\$.

**TABLE 2**  
**Municipal Cadastre Information on Slums and Irregular Land Development**

Data Included in the Cadastre	Municipalities with Slums (#)	Municipalities with Slums (%)	Municipalities with All Irregular Land Development (#)	Municipalities with All Irregular Land Development (%)
Yes	798	52.5 (39 % complete)	1,220	50.5 (51 % complete)
No	684	45.0	1,133	46.8
Not Available	38	2.5	65	2.7
Total	1,520	100.0	2,418	100.0

Source: Based on 1999 data from *Instituto Brasileiro de Geografia e Estatística* (IBGE). 2001.

land developments have this information included in their cadastres, and 51 percent of the cases with records have complete information. Thus, one cannot reject the hypothesis that the larger, richer, and more developed municipalities are also the ones with better records on informal occupations.

Using the IBGE database, a model for multiple regression analysis was developed to test the relationship between informality and the property tax collected per inhabitant. The relationship was controlled with other attributes available in the database, including the average income per inhabitant, the size of the population, and a group of variables associated with the role of the local administration in promoting urban development. Based on this model, which explains approximately 72 percent of the variation in the property tax collected per inhabitant, the following factors have proven to be influential in determining the amount of property tax collected.

- **Urban regulations and minimum lot sizes.** The findings support the argument that municipalities with a more complete regulatory framework are able to collect more property tax per inhabitant. Consistently, a decrease in the property tax collected per inhabitant is found in municipalities where no minimum lot size is established. Thus, stricter land use regulations have a positive effect on property tax performance, as much as their absence produces adverse effects.
- **Updated property cadastre and maps.** As expected, municipalities in which the property cadastre and maps have been updated more recently tend to obtain a higher collection ratio. The model also indicates that municipalities that use more technology, as measured by the use of a digital cadastre, are able to collect more

property tax per inhabitant than the others.

- **Occurrence of slums.** Municipalities with slums collect more property tax per inhabitant than those without slums. A plausible explanation for this phenomenon may be that more industrialized and/or more economically dynamic cities have a higher incidence of informality. In this case, the loss of property tax revenue generated by informality is likely to be compensated by the revenue collected in high-income areas and from commercial and industrial properties.
- **Inclusion of informal property in the cadastre.** The importance of a more universal tax base is also confirmed, as reflected in better property tax performance when informality is recorded at the local government level.
- **Collection ratio.** Municipalities with less tax evasion, that is, a higher collection ratio, tend to collect more property taxes per inhabitant.
- **Average income per inhabitant.** Finally, the average income per inhabitant is the most important factor in tax collection, accounting for about 42 percent of the variation in the property tax collected per inhabitant.

In addition to the level of income, the findings clearly indicate the importance of an effective administration of the property tax. In other words, even in the presence of informality municipalities achieve better results in comparative terms if they maintain updated cadastres and maps, include informal properties in the cadastre, and have a broad framework of urban legislation. In summary, when focusing strictly on the property tax performance, the major cause of concern is not the presence of informality itself, but the way public officials deal with it for property tax purposes.

### The Property Tax as a Tool to Reverse Informality

A more vigorous property tax is likely to affect informality directly. For instance, the portion of the property tax levied on land value constitutes a strong antidote to force the existing stock of serviced land to the market. The property tax may also be important as a tool to influence the decision-making process for which areas should receive urban services. Indeed, communities without a property tax system are particularly vulnerable when it comes to seeking public attention.

The property tax can also be an educational mechanism for helping citizens realize their rights and duties, including the need to contribute to public expenses. The government's commitment to allocate tax revenues fairly and equitably provides greater legitimacy to the tax. Furthermore, a property tax may be one mechanism to reduce land prices through the capitalization effect (Bahl and Linn 1992). Usually local government recognition of occupancy has no direct, legal effect on guaranteeing property titles at the public registry, but informal occupiers may perceive it as a kind of a green card to access the legal world.

Rabello de Castro (2000) has argued that there are solid legal grounds to use cadastres for property tax purposes to legitimize tenure rights, and that the courts would have no difficulty in admitting such records as trustworthy evidence. Finally, there is an advantage for the property tax to cover informal property because its application requires specific knowledge of the area, which has immeasurable value to the city management.

### Policy Recommendations

Informality poses particular challenges to property tax administration, including the need to design feasible and politically acceptable procedures. Following are some policy recommendations for consideration.

- **Extend tax liability to occupants in informal settlements.** Limiting property tax liability to the landowner reduces the ability to collect taxes in countries with a substantial number of informal settlements. Legislation could establish the possessor or occupier as the taxpayer of record, so there should be no technical impediment to considering alternative forms of secured tenure to meet the challenge of enhancing the universality of the property tax.
- **Update urban cadastres.** Conventional cadastral procedures and techniques are not able to keep up with the physical and legal idiosyncrasies of informal settlements. Low-cost, flexible initiatives to update cadastres and identify irregular land subdivisions and buildings might include the establishment of partnerships with companies that provide public services or institutions responsible for social programs.
- **Determine how to assess informal property.** Assessing informal property is a challenge since there is little understanding of how informal markets operate. This may require taking into account atypical determinants of property values (e.g., the value of relaxed urbanistic norms and regulations) and creative sources of information (e.g., neighborhood association records on property transactions). However, a vibrant property market is generally observed in informal areas, and the analysis of the determinants of land prices is as feasible and amenable to standard techniques as the analysis undertaken in formal markets (Abramo 2003). Another alternative is to use self-assessment, as applied in Bogotá, Colombia, using simplified forms to make the process easier for low-income families.
- **Bypass assessment difficulties for progressive housing.** Self-production of housing is common, and improvements may take place on a gradual, albeit permanent, basis in informal occupations. Consequently, proper taxation of informal properties would require inspecting the houses more frequently. These difficult circumstances suggest considering other alternatives, including the use of either the site value as the tax base or a self-reporting scheme. Neighborhood associations and community organizations could be involved in such programs. Initiatives to encourage self-reporting would be facilitated by the extent to which the revenue collected is earmarked to improve public services and equipment in the neighborhoods in which the property tax was collected.
- **Minimize tax evasion.** Contrary to the view that higher rates of tax evasion prevail in low-valued properties, the general perception is that tax evasion is more likely to occur on high-valued properties. Local administrators and other sources confirm that poor families are quite willing to have their properties included in the fiscal cadastre, and to pay the property tax.
- **Adjust the tax burden on the poor.** Current alternatives for either reducing or eliminat-

ing the tax burden on the poor in formal areas should be applied to informal areas. Such measures include either deductions or exemptions according to the property value, the family income, or both criteria, and the use of progressive rates starting at a symbolic value and moving up according to classes of assessed values.

- **Establish a fiscal culture.** Symbolic tax payments may have no impact in terms of revenue, but are likely to contribute to the creation of a fiscal culture. A sustainable tax system for informal housing requires steps similar to those for formal property markets: adjust the tax burden according to the ability-to-pay; demonstrate to taxpayers the public benefits related to the collection of the property tax; promote educational programs explaining the rights and duties of citizens; and apply effective and reasonable penalties for cases of nonpayment.

Even though most informal property is excluded from the property rolls, the above requirements should be applied to informal properties if a higher level of efficiency in property tax collection is to be achieved. The argument about high collection costs to exclude low-valued properties (or low-income families for that matter) from the tax-rolls should be reckoned against the benefits of promoting broader fiscal citizenship.

### A Longer View

The collection of property taxes in informal areas may be not only possible under certain circumstances, but also attractive for pursuing a more effective urban policy that is capable of mitigating informality and its negative effects for society in general and for individual occupants of these settlements in particular.

Despite the difficulty of providing empirical evidence on its theoretical impacts on the land market, the part of the property tax levied on the land value is likely to produce effects that are critical to mitigate the distortions and dysfunctions in land markets with a high degree of informality. These effects include stimulating land development; deterring land speculation; reducing land prices; increasing the supply of urbanized land; encouraging more compact cities; promoting more efficient provision of urban infrastructure and services; and encouraging a more rational pattern of development. Indirect benefits may include the relevance of the information generated to identify

property, the use of paid property taxes as a para-legal means to legitimize tenure rights, and last but not least the opportunity for accessing citizenship and becoming integrated into society.

In summary, when focusing on the property tax performance, the major cause of concern is not so much informality itself, but the way public officials treat informality and how they administer a property tax system. In this context, the introduction of the property tax into an environment with rampant informality requires special caution. The challenges to operating the property tax in informal areas include the need to understand the informal market, curb intervening land ownership claims from previous or absent owners, improve administrative capability, and legitimize public actions that result in social benefits to the poor. In addition, public officials need to overcome prejudice and misconceptions regarding informality and introduce efficient property tax initiatives that may actually reduce informality. □

### ABOUT THE AUTHORS

**MARTIM O. SMOLKA** is senior fellow and director of the Program on Latin America and the Caribbean at the Lincoln Institute of Land Policy. Contact: [msmolka@lincolninst.edu](mailto:msmolka@lincolninst.edu).

**CLAUDIA M. DE CESARE** is a property tax advisor to the Secretariat of Finance in the municipality of Porto Alegre, Brazil. She is on the advisory board of the International Property Tax Institute (IPTI) and is a faculty member of the Lincoln Institute. Contact: [cmdecesare@smf.prefpoa.com.br](mailto:cmdecesare@smf.prefpoa.com.br).

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**Margaret Dewar** is the Emil Lorch Professor of Architecture and Urban Planning at the Taubman College of Architecture and Urban Planning at the University of Michigan. She directs the Detroit Community Partnership Center through which University of Michigan faculty and students work with community-based organizations and city agencies on community-identified neighborhood issues. Dewar is also faculty director of the Ginsberg Center for Community Service and Learning, whose mission is to involve faculty, students, staff, and community partners in learning together through community service and civic participation in a diverse democratic society. She and her students have worked on brownfield redevelopment with numerous organizations in Detroit and Flint.

Dewar's research is concerned with American government effectiveness in intervening in microeconomic systems to deal with economic distress such as troubled industries, declining regions, distressed cities, and poverty. She has written books and articles on industrial policy, rural economic development programs, and urban revitalization. Her current research focuses on ways to address the barriers to equitable redevelopment of older industrial cities. She is writing about systems for moving tax-reverted property to new uses, the role of place-committed coalitions in redevelopment of brownfields, and indicators of early neighborhood decline and revitalization that can facilitate public intervention.

Dewar has a Ph.D. in Urban Studies and Planning from the Massachusetts Institute of Technology and a Master of City Planning from Harvard University. She received her undergraduate degree from Wellesley College.

## Margaret Dewar

**LAND LINES:** *How did you become involved in and concerned about brownfield redevelopment?*

**MARGARET DEWAR:** I had done quite a lot of research on the effects of state and local economic development incentives on business location and expansion decisions. I also had taught courses where students worked on plans for urban redevelopment with nonprofit organizations in Detroit.

The calls for subsidies for brownfield redevelopment grew louder in the mid-1990s as states reformed their laws about cleanup requirements and liability. Given my background in economic development and urban redevelopment, I thought those calls sounded inauthentic. The campaigns for cleanup subsidies were essentially claiming that if the subsidies were provided, redevelopment of contaminated property would occur, implying that the only barrier to land reuse was the dirty dirt.

However, urban redevelopment is a very complex process that involves the assembly of land owned by many people, relocation of residents, demolition of structures, removal and replacement of infrastructure, and adherence to or release from regulatory restrictions and requirements—to name a few of the issues. Contamination could not be the only barrier, and, I thought, it was not even likely to be the most important one.

Further, state and local incentives for economic development rarely change business location and expansion decisions. I suspected that brownfield incentives would have a similar effect. Therefore, I started to do research on the determinants of brownfield redevelopment to place this kind of development in the broader urban redevelopment context.

**LAND LINES:** *How has your brownfield research evolved over the last decade?*

**MARGARET DEWAR:** As I watched community development corporations (CDCs) in Detroit struggle with redevelopment, I became interested in whether place-committed coalitions were more or less effective in brownfield redevelopment than other kinds of developers.

Place-committed coalitions are the alliances of CDCs, nonprofit housing corporations, neighborhood organizations, and determined residents who are going to stay in place, no matter what. Unlike many other developers or businesses, they will not move to the suburbs because development is easier and more profitable there. They are often the only developers interested in the poorest neighborhoods, and any hope for a better physical environment in those places rests with them. Unlike private developers, they are not seeking especially profitable redevelopment projects; if they can break even, much of the return on their investment is seen in the creation of a better neighborhood.

When place-committed coalitions succeed in redevelopment, they may create market conditions that are attractive to private developers and therefore spur further redevelopment, or they may demonstrate market potential through bellwether projects. As a result, nonprofit developers are especially important in making urban redevelopment succeed.

However, I found that these coalitions were rarely successful in brownfield redevelopment, although development on contaminated

land did not seem particularly different from other kinds of redevelopment. Now most of my own research projects and quite a few of the student projects I supervise are concerned with factors that lead to positive reuse of abandoned property in cities, especially reuse by nonprofit developers.

**LAND LINES:** *How do you involve your students in this work?*

**MARGARET DEWAR:** I get many research ideas from working with CDCs, nonprofit housing corporations, and public agencies on plans for brownfield reuse, and I am able to bring these ideas into planning practice on specific projects. Twice each year I teach a course where advanced urban planning students develop plans with organizations working on strengthening their city neighborhoods and help advance the organizations' efforts.

For example, my students and I worked with the Genesee County Brownfield Redevelopment Authority (BRA) and the Genesee County Land Bank to inventory brownfields in Flint, Michigan. We also helped to prioritize sites for attention based the goals of the BRA and the land bank, which are now following up on the recommendations in the plan with a neighborhood nonprofit and a group of diverse property owners.

Another team of students worked with a neighborhood nonprofit organization in southwest Detroit to identify brownfields and determine which sites have the greatest priority for reuse. Although the staff praised the plan, the organization has not been able to act on the recommendations. The contrast in these two experiences, along with the literature on determinants of nonprofit developers' success, suggests numerous hypotheses about what helps and hinders the reuse of brownfield sites in such situations.

**LAND LINES:** *What is your most recent project with the Lincoln Institute?*

**MARGARET DEWAR:** With Kris Wernstedt at Virginia Polytechnic Institute, I am looking at some of these hypotheses about why CBOs are successful or not in reusing vacant, abandoned, and contaminated property. Kris is looking at the work of

CBOs in Baltimore, Portland, and Denver, and I am studying their reuse of such property in Detroit, Cleveland, and Flint. Because the demand for land in my set of three cities is similar, the comparison holds the market constant and promises to reveal institutional, political, and legal factors that are important in CBOs' results.

The three midwestern cities differ in the strength of their nonprofit development sectors. Cleveland has an active network of nonprofit developers that have constructed thousands of units of housing over the last 15 years. Detroit has a maturing nonprofit development sector that is growing in its capacity to do projects, but Flint has very little such activity.

These differences can help reveal factors that matter and the ways they matter in redevelopment success. For instance, a commonly cited force in the success of Cleveland's nonprofit developers is the commitment of foundations to provide funding for redevelopment. However, Flint also has foundations with large amounts of resources committed to that city. What are the differences in how the foundations in each city work that might help explain these differences in nonprofit development activity and effectiveness?

**LAND LINES:** *How can CBOs be most effective in brownfields redevelopment?*

**MARGARET DEWAR:** Kris Wernstedt and I pose four groups of hypotheses or framing perspectives in our research on CBOs' effectiveness in redeveloping brownfields. First, the special features of CBOs—their shortage of funds, small number of professional staff, lack of skills for redevelopment, and other issues—may interfere with implementing successful projects to reuse vacant, abandoned, and/or contaminated sites. CBO staff may especially lack the background to take on projects that involve contaminated sites.

Second, legal and political issues may interfere with the transfer of tax-reverted property to nonprofit developers for redevelopment projects, even though this land is essential for projects to go forward.

Third, weak local institutional settings may leave CBOs without adequate political or financial support for undertaking projects to reuse vacant, abandoned,

and/or contaminated properties. Local government, financial institutions, foundations, and intermediaries may not provide sufficient backing to help CBOs over the substantial hurdles.

Fourth, federal and state legal and regulatory structures and financing provisions for contaminated sites in particular may interfere with CDCs' efforts to reuse such property.

Another factor is that the demand for land in different cities affects the approach and efficacy of CBOs in redeveloping

**Now most of my own research projects... are concerned with factors that lead to positive reuse of abandoned property in cities, especially reuse by nonprofit developers.**

that land. In cities or neighborhoods with strong market demand, CBOs may have little opportunity to obtain such property for redevelopment because they are competing with private developers. On the other hand, in cities with weak demand for land, CBOs may struggle to find tenants or buyers for redeveloped property.

**LAND LINES:** *How is your work with the Lincoln Institute helping to broaden the scope of brownfield research?*

**MARGARET DEWAR:** I continue to believe that contamination is rarely the determining factor in whether land can be reused or not, especially now that cleanup standards and liability risks have changed. By placing contamination in the larger context of the redevelopment of vacant, abandoned, and contaminated property in cities, we gain a better understanding of the complexity of redevelopment in general and of the kinds of changes that would help CBOs be more effective in remaking cities in ways that can improve the quality of life in distressed areas. **L**

## The Tiebout Model at Fifty: Essays in Public Economics in Honor of Wallace Oates

The *Tiebout Model at Fifty* commemorates the fiftieth anniversary of Charles Tiebout's enormously influential 1956 article, "A Pure Theory of Local Expenditures," and honors the contributions of Wallace Oates as expositor and popularizer of the Tiebout model. While Tiebout's hypothesis is the touchstone for the economic analysis of local government, Oates gave the theory empirical content and brought the idea into the realm of public economics.

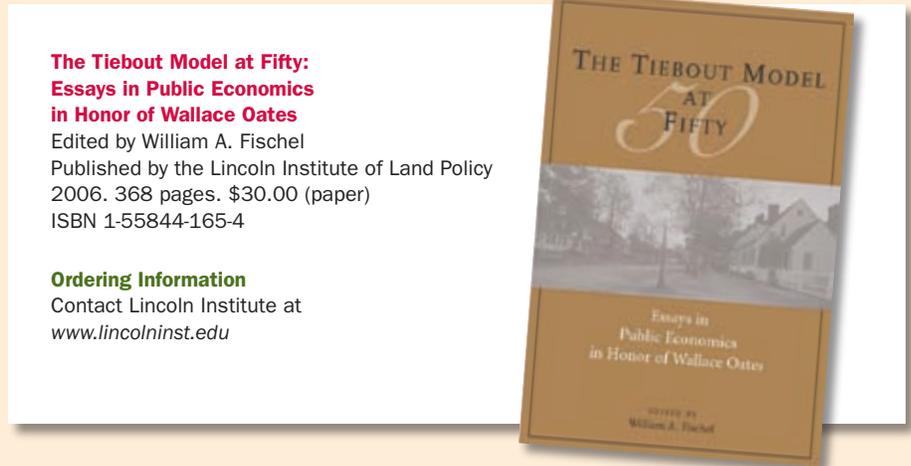
This insightful volume is edited by William A. Fischel, who also organized the conference in June 2005 at which the papers and commentaries were first presented. The conference was cosponsored by the Lincoln Institute and the Rockefeller Center for Public Policy and Social Studies at Dartmouth College.

In his Preface, Fischel states that Tiebout's paper is the single most influential article in the field of public economics, at least if one measures influence by citations in scholarly journals. Tiebout proposed an alternative to the political process for determining the demand for local public goods. Households would reveal their preferences by choosing their residence among local governments. People would "vote with their feet" (not Tiebout's term) instead of the ballot box, choosing the desired level of services among the many

**The 1950s were the low point for local government in the United States, and current interest in the Tiebout model reflects the growing influence of localism.**

local governments that make up most American metropolitan areas. Tiebout's is that rare paper whose influence has broadened with the passage of time.

The book reprints Tiebout's classic paper, and several distinguished chapter authors and commentators evaluate the model's ongoing influence on the disciplines



**The Tiebout Model at Fifty:  
Essays in Public Economics  
in Honor of Wallace Oates**

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of economics, law, and political science. Others present original scholarly research in the Tiebout-Oates tradition. They illuminate public policy issues such as exclusionary zoning, tax competition, school choice, constitutional federalism, fiscal equalization, and real estate capitalization.

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**ABOUT THE EDITOR**

**William A. Fischel**, a professor in the Dartmouth College Economics Department since 1973, was named the Patricia F. and William B. Hale '44 Professor in Arts and Sciences in 2002. His research focuses on the law and economics of regulatory takings and on the economics of local government, especially the Tiebout model, zoning, property taxation, and school finance. He is the author of *The Homevoter Hypothesis*, *The Economics of Zoning Laws*, and *Regulatory Takings*.

## Courses and Conferences

The education programs listed here are offered for diverse audiences of elected and appointed officials, policy advisers and analysts, taxation and assessing officers, planning and development practitioners, business and community leaders, scholars and advanced students, and concerned citizens. For more information about the agenda, faculty, accommodations, tuition, fees, and registration procedures, visit the Lincoln Institute Web site at [www.lincolninst.edu/education/courses.asp](http://www.lincolninst.edu/education/courses.asp).

For information about programs offered by the Program on Latin America and the Caribbean, visit [www.lincolninst.edu/aboutlincoln/lac.asp](http://www.lincolninst.edu/aboutlincoln/lac.asp), and for information about the Program on the People's Republic of China, visit [www.lincolninst.edu/aboutlincoln/prc.asp](http://www.lincolninst.edu/aboutlincoln/prc.asp).

### AUGUST 1–30

Rotterdam, The Netherlands

#### Land Management and Regularization of Informal Settlements

Martim Smolka, Lincoln Institute of Land Policy; and Claudio Acioly, Institute for Housing and Urban Development Studies (IHS), Rotterdam, The Netherlands

Designed in response to one of the United Nations Millennium Development Goals, which advocates improved living conditions for 100 million slum dwellers by the year 2020, this course develops tools required to deal with slum upgrading and land tenure regularization. The program supports the development of higher-level policy intervention at the legal, institutional, financial, and program management levels. It is designed for professionals, senior executives, and researchers directly involved with housing and land policies in developing and transitional countries. The course is cosponsored with IHS.

### FRIDAY, SEPTEMBER 15

Seattle, Washington

#### Land Use and Property Rights in America

Harvey M. Jacobs, University of Wisconsin–Madison

Since the early 1990s, the property rights movement has played a significant role in the land use and environmental arena at the local, state, and national levels. This course acquaints planners, citizens, and elected officials with the history and structure of the property rights movement; approaches to restricting land use and environmental planning (such as the 2004 initiative, Measure 37, in Oregon and the state-based laws following from the U.S. Supreme Court eminent domain decision in *Kelo v. New London*); strategies to engage land use planning opponents in constructive dialogue; cutting-edge policy techniques that address the concerns of property rights advocates; and the future of property rights in local, state, and national politics.

### MONDAY–FRIDAY, SEPTEMBER 25–29

Santiago, Chile

#### Urban Land Market Analysis

Martim Smolka, Lincoln Institute of Land Policy; and Francisco Sabatini, Catholic University of Chile, Santiago

The quality of discussion on urban and land policy is directly related to the information available and to researchers' capacity to interpret the complexities of urban land markets. This new, week-long course covers methods of data generation and analysis related to land market processes. It is geared to provide academic researchers and land policy practitioners in Latin America with the theory and tools for understanding the dynamics of land markets.

## Mediating Land Use Disputes Series

Lawrence Susskind, Merrick Hoben, Patrick Field, and Ona Ferguson, Consensus Building Institute, Cambridge, Massachusetts; Matthew McKinney, Public Policy Research Institute, University of Montana, Helena; Ric Richardson, University of New Mexico, Albuquerque

Land use disputes are among the most contentious issues facing communities throughout the United States. Local officials struggle to find ways of balancing environmental protection, economic development, and private property rights. Our trainers bring a wealth of experience, drawing on both theory and practice, to help mediators develop the specialized knowledge and skills required to successfully mediate land use disputes.

### WEDNESDAY–THURSDAY, SEPTEMBER 6–7

Bishop, California

### THURSDAY–FRIDAY, NOVEMBER 2–3

Fairfax, Virginia

#### I. Resolving Land Use Disputes

This two-day introductory course presents practical experience and insights into negotiating and mediating solutions to conflicts over land use and community development. Through lectures, interactive exercises, gaming, and simulations, participants discuss and work with cases involving land development and community growth, designing and adopting land use plans, and evaluating development proposals. Questions of when and how to apply mediation to resolve land use disputes are also explored. This course qualifies for 13.25 AICP continuing education credits.

### THURSDAY, SEPTEMBER 14

Doyle Conservation Center  
Leominster, Massachusetts

#### II. Negotiating for Land Conservation

Good negotiation skills are essential to the preservation of open space, habitat, and farm and ranch land. This intensive one-day negotiation skills course, tailored explicitly for those who are seeking to conserve open space, land, and habitat, includes lectures on mutual gains negotiation, hands-on opportunities in two negotiation exercises, and group discussion about the challenges of land trust negotiations.

**MONDAY–WEDNESDAY,  
SEPTEMBER 25–OCTOBER 4**  
**Rotterdam, The Netherlands**

**Law and Land Policy  
in an Urban World**

**Martim Smolka, Lincoln Institute of Land Policy; Claudio Acioly, Institute for Housing and Urban Development Studies (IHS), Rotterdam, The Netherlands; Edésio Fernandes, University College London, United Kingdom**

Senior legal professionals—lawyers, magistrates, advisors, prosecutors, and legal representatives of governmental and non-governmental agencies—come together with urban planners, environmentalists, academics, civil servants, and members of nongovernmental organizations to explore contemporary issues pertaining to the legal dimensions of the urbanization process. The aspects of law and land policy examined include the process of urban law-making and enforcement; international, national, and local urban planning legal systems; land expropriation, eminent domain, and compensation; legal instruments for urban policy and management; policies addressing urban informality; legal aspects of international land regularization; and alternative forms of ownership, titling, and systems of land occupation.

**MONDAY–FRIDAY, OCTOBER 2–6**  
**Rio de Janeiro, Brazil**

**Value Capture in Latin America**

**Martim Smolka, Lincoln Institute of Land Policy; María Clara Vejarano, National University of Colombia, Bogotá; and Fernanda Furtado, Federal Fluminense University, Rio de Janeiro**

Value capture initiatives are increasingly popular in several Latin American countries, yet Henry George’s notion of land value increments as an “unearned gain” is still a hard sell in other parts of the region. This course examines the legal, planning, and economic fundamentals of value capture, including policies and tools, and how they are applied in different contexts. Topics include the impacts of public and private interventions on land value increments (*plusvalías*) and measurement of these impacts, using cases from Brazil, Colombia, and elsewhere.

**TUESDAY–WEDNESDAY, OCTOBER 10–11**  
**San Luis Obispo, California**

**Visioning and Visualization**

**Michael Kwartler, Environmental Simulation Center, New York City; and Gianni Longo, ACP–Visioning & Planning, New York City**

Visioning has become an accepted technique to build broad-based agreement on goals and strategies for the future of a neighborhood, city, or region. When used with visualization techniques, visioning is a powerful tool for making informed decisions on the physical quality of future development. This course defines principles for effective visioning, reviews case studies, and includes a hands-on workshop that demonstrates visioning and visualization techniques in a realistic situation. This course qualifies for 13 AICP and AIA continuing education credits.

**MONDAY–TUESDAY, OCTOBER 16–17**  
**Stone Mountain, Georgia**

**Making the Property Tax Work in Developing and Transitional Countries**

**Joan Youngman, Lincoln Institute of Land Policy; and Jorge Martinez-Vazquez, Georgia State University, Atlanta**

While developing and transitional countries have been able to achieve high levels of decentralization on the expenditure side of the budget, typically they have been less effective on the revenue side. Experts generally consider the property tax an ideal source of revenue for subnational governments, and an effective way to promote accountability among local public officials. This conference examines aspects of property taxation, including social and political issues; data collection and information technology issues; approaches to valuation (area-based assessment, rental value, and site value taxation); and collection and enforcement issues.

**WEDNESDAY–FRIDAY, NOVEMBER 1–3**  
**Chicago, Illinois**

**Redesigning the Edgeless City**

**Robert Lane and Robert Yaro, Regional Plan Association, New York City; Patrick Condon, Landscape Architecture Program, University of British Columbia, Vancouver**

Presented in collaboration with the Regional Plan Association and based on the handbook *Redesigning the Edgeless City*, this course introduces planning and policy advocates, city and state officials, developers, and citizen stakeholders to principles and techniques that can be applied in different metropolitan contexts. Previous courses on this topic have dealt with such cases as the design of a sustainable suburban highway corridor and ways to redesign mature suburban areas into pedestrian-

friendly, transit-oriented centers with a strong sense of place. This course qualifies for 13 AICP and AIA continuing education credits.

**THURSDAY, NOVEMBER 2**

**Lincoln House**

**The Impact of Property Tax Assessment Limitation Measures**

**Daniel P. McMillen, University of Illinois at Chicago**

Percentage limitations on the amount that assessed values can rise in any given year are a frequent and popular policy attempt to limit the impact of rapidly increasing real estate prices on property tax bills. The resulting decrease in the property tax base, however, can require higher rates to maintain level tax collections. This seminar considers research on the net impact of these two effects on property tax bills.

**Lincoln Lecture Series**

The Institute’s annual lecture series is presented at Lincoln House in Cambridge, Massachusetts, beginning at 12 p.m. (lunch is provided), unless otherwise noted. Consult the Lincoln Institute Web site ([www.lincolnmst.edu](http://www.lincolnmst.edu)) for information about other dates, speakers, and lecture topics. The programs are free, but pre-registration is required. Contact [help@lincolnmst.edu](mailto:help@lincolnmst.edu) to register.

**WEDNESDAY, OCTOBER 18**

**Assessing the Impact of a Large-Scale Urban Redevelopment Project**

**Ciro Biderman, Getúlio Vargas Foundation; and Metropolitan Urban Laboratory, University of São Paulo, Brazil**

**WEDNESDAY, NOVEMBER 8, 4:00 P.M.**

**The Humane Metropolis: People and Nature in the Twenty-first Century City**

**Lecture and book signing  
Rutherford H. Platt, Ecological Cities Project, University of Massachusetts, Amherst**

**TUESDAY, NOVEMBER 14**

**Informal Cities in a Global Context: What Can We Learn from Them?**

**Claudio Acioly, Institute for Housing and Urban Development Studies (IHS), Rotterdam, The Netherlands**

# FELLOWSHIPS AND RESEARCH OPPORTUNITIES

## Visiting Fellowships

Each year the Lincoln Institute sponsors a small number of visiting fellows who have worked closely with the Institute in the past or have a special expertise in land and tax policy issues. These scholars are invited to undertake research and participate in the Institute's education programs.

## Research Fellowships and Requests for Proposals

### DAVID C. LINCOLN FELLOWSHIPS

The David C. Lincoln Fellowships in Land Value Taxation (LVT) were established in 1999 to develop academic and professional interest in this topic through support for major research projects. The fellowship program honors David C. Lincoln, founding chairman of the Lincoln Institute, and his long-standing interest in LVT. The program encourages scholars and practitioners to undertake new work in this field, either in the basic theory of LVT or its applications as a component of contemporary fiscal systems in countries throughout the world. The next deadline for David C. Lincoln Fellowship applications is August 15, 2006.

### FELLOWSHIPS IN PLANNING & URBAN FORM

The Department of Planning and Urban Form is interested in planning and the built environment, with a particular focus on three themes: spatial externalities and multi-jurisdictional governance issues; the interplay of public and private interests in the use of land; and land policy, land conservation, and the environment. The next application deadline for these fellowships is September 15, 2006.

### FELLOWSHIPS IN ECONOMIC & COMMUNITY DEVELOPMENT

The Department of Economic and Community Development engages scholars, policy makers, practitioners, and citizens in research on the role of land in economic and community development. In 2006–2007 these fellowships will be provided through Requests for Proposals (RFPs) on three topics: community land trusts; the economics of land leasing; and the fiscal dimensions of planning and development. The announcements for RFP deadlines and guidelines will be posted on the Institute's Web site.

### FELLOWSHIPS IN LAND & TAX POLICY IN CHINA

The Institute's Program on the People's Republic of China offers research fellowships to qualified young scholars to enhance their capacity in land and tax policy fields that address the Institute's interests in China. Priority topics include urban economics, land use and policy, urban and rural planning, local public finance, and property taxation. The next deadline for proposals is April 1, 2007.

## Graduate Student Fellowships

### DISSERTATION FELLOWSHIP PROGRAM

The Lincoln Institute's Dissertation Fellowship Program assists Ph.D. students, primarily at U.S. universities, whose research complements the Institute's interests in land and tax policy. The program provides an important link between the Institute's educational mission and its research objectives by supporting scholars early in their careers. Dissertation fellowship applications are due March 1, 2007.

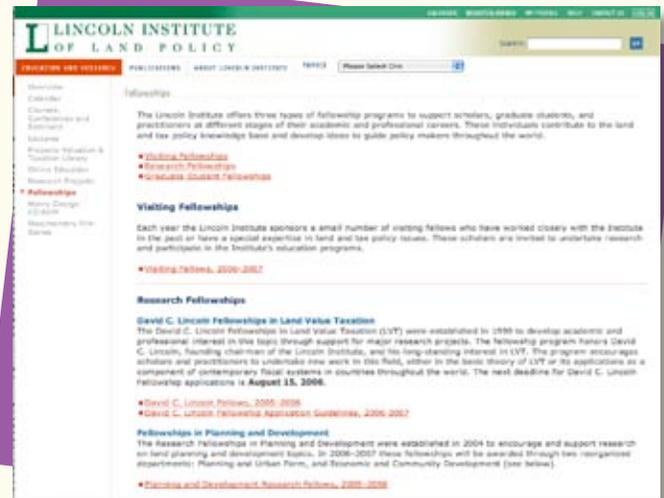
### PROGRAM ON LATIN AMERICA & THE CARIBBEAN

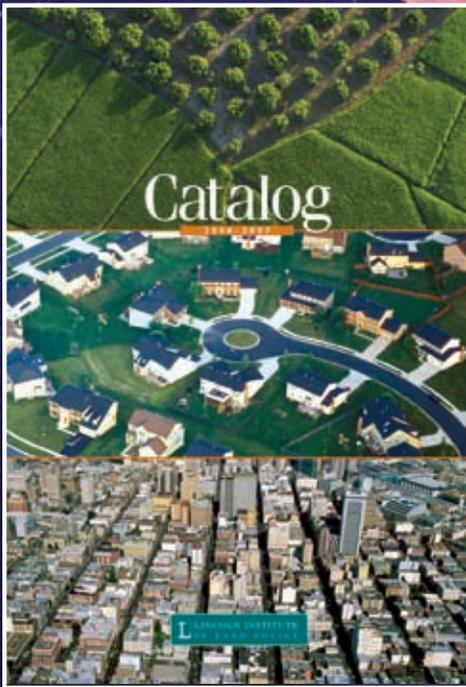
The Institute's Latin America Program (LAC) offers fellowships to doctoral and master's students at universities in the region. The program also cosponsors, with the City Studies Program at the National Autonomous University of Mexico, the FEXSU (Formación de expertos en suelo urbano) fellowship, available to graduate students writing theses on urban land policy issues. Applications for LAC graduate student fellowships are due March 1, 2007.

### PROGRAM ON THE PEOPLE'S REPUBLIC OF CHINA

The Institute's China Program awards dissertation and master's thesis fellowships to graduate students attending universities in Asia and researching land and tax policy in the People's Republic of China. Fellows participate in a workshop in China to present their proposals and receive comments from an international expert panel. Applications for these China Program fellowships are due April 1, 2007.

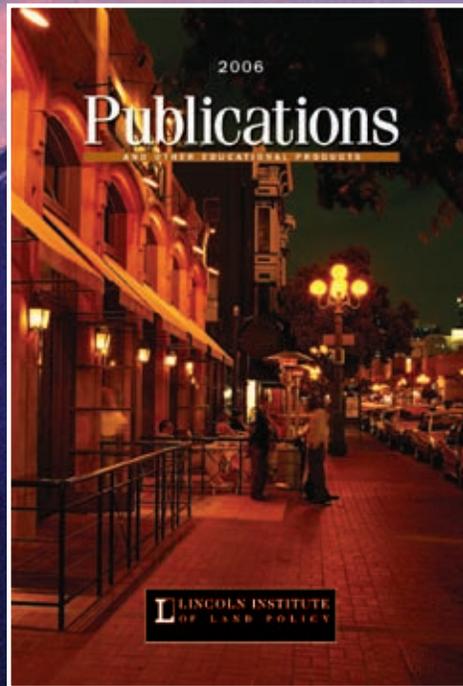
The Lincoln Institute offers three types of fellowship programs to demonstrate its commitment to support scholars, practitioners, and graduate students at different stages of their academic and professional careers. For more information about these programs, visit the Institute's Web site at [www.lincolninst.edu/education/fellowships.asp](http://www.lincolninst.edu/education/fellowships.asp)





## 2006–2007 Institute Catalog

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



## 2006 Publications Catalog

The Lincoln Institute's 2006 Publications Catalog features more than 70 books, policy focus reports, and multimedia resources. These publications represent the work of Institute faculty, fellows, and associates who are researching and reporting on a wide range of topics in valuation and taxation, land use planning, and economic development in the United States, Latin America, and other areas of the world.

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