

Land Lines

Newsletter of the Lincoln Institute of Land Policy

Assessment Reform in Indiana: One Step Forward, Two Steps Back

Frank Kelly and Jeff Wuensch

The property tax in Indiana has long generated considerable public policy debate, centering on the methods prescribed by the state to determine property values. Most states use some form of market value as the assessment standard, but Indiana relies on “true tax value.” Indiana law defines this as “the value determined under the rules of the State Board of Tax Commissioners,” and it declares that “true tax value does not mean fair market value.”

A landmark decision by the state Supreme Court in December 1998 ignited new debate over Indiana’s property tax system. The Court ruled that the tables used in the 1995 assessment manual lacked “meaningful reference to property wealth,” did not contain “objectively verifiable data,” and violated the state constitution. Although the legal opinion contained language suggesting approval

of the use of market-derived data, the Court fell short of mandating a system based strictly on market value.

Almost two years have passed since this ruling, but minimal progress has been made in implementing a more equitable and uniform assessment system. Policy makers have focused almost exclusively on the projected tax shifts, especially those to homeowners, under market-derived valuation methods, and have all but ignored the underlying inequities that plague Indiana’s assessment system.

This article reviews the essential features of Indiana’s property tax and assessment systems, describes recent reform efforts, and identifies critical reform issues, apart from the tax shifts, that need to be addressed.

Property Tax and Assessment Systems

Property Tax Revenues. In 1999, the property tax raised more than \$4.6 billion, nearly all of it generated locally and used for local services, especially K-12 public education. The property tax is the largest revenue source in Indiana, generating more revenue in 1999 than federal funds (\$3.8 billion), individual income taxes (\$3.7 billion), and sales and use taxes (\$3.4 billion). Together, these four revenue sources account for nearly 80 percent of total state and local revenue (see *Figure 1*).

Nearly 65 percent of the total property tax levy in 1999 was paid by the business community, including commercial, industrial, utility, and agricultural property (see *Figure 2*). Personal property accounts for about one-half of the total business property tax burden. Although Indiana’s constitution prohibits unequal property

Proposal Deadline Is March 1, 2001

The Lincoln Institute announces its annual funding cycle to select proposals for research projects, case studies, courses, curriculum materials and dissertation fellowships that focus on land use planning, land markets and land-related taxation policies.

Proposals must be received at the Lincoln Institute by March 1, 2001, to be considered for funding during the 2002 fiscal year (starting July 1, 2001). To obtain a copy of the Request for Proposal guidelines, you can download the document from the Institute’s website (www.lincolninst.edu), request a copy by email (help@lincolninst.edu) or call 1-800-LAND-USE (526-3873).



taxation, this relatively high business share demonstrates a de facto classification system that allocates a majority of the property tax burden to non-voting entities.

Local Administration. The primary assessing jurisdiction in Indiana is the township. Each of the state’s 1,008 townships elects either a full- or part-time assessor, depending on population; nearly 85 percent of these assessors are part-time. County

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assessors are elected in each of the state's 92 counties. As a general rule, the county assessor has a greater role when townships have more part-time assessors, because the county assessor reviews both personal property and real estate assessments.

State Administration. The State Board of Tax Commissioners (Tax Board), the first property tax commission of its kind in the nation, is primarily responsible for promulgating assessment rules and regulations for both real and personal property. Additionally, the Tax Board hears property tax appeals, approves local government budgets, provides assessor training, and maintains a comprehensive local government database.

Assessment Standards. Real and personal property are assessed at one-third of true tax value (TTV). The TTV of improved real property is based on a cost approach, but neither the replacement costs nor the depreciation schedules are market derived. In fact, when compared to the market, Indiana's TTVs vary widely, not only between property classes (i.e., residential, business, utility and agricultural) but within classes as well.

The TTV of personal property is based on original acquisition cost, but, like the TTV of real property, relies on depreciation schedules that bear little relationship to the market. Most business assets receive accelerated depreciation of 40 to 60 percent in the first few years. However, older assets are subject to a relatively high residual value of 30 percent of original cost. Business inventory also is based on its original cost and is subject to the same floor, but it receives a 35 percent assessment deduction.

Indiana law provides that the TTV of land is to be based on market value, but recent studies have found that land assessments are significantly less than market value. Residential land values are roughly 40 percent of market value. The TTV of farmland is based on a use value of \$495 per acre, adjusted for soil productivity,

resulting in an assessment that is also well below market value.

Assessment Cycle. Indiana employs two different assessment cycles. Personal property is self-assessed annually, while real property reassessment is both infrequent

property assessment manual violated the state constitution's requirement that the Indiana General Assembly provide for "...a uniform and equal rate of property assessment and taxation."

The Supreme Court found these mandates of uniformity and equality were not met because the manual's cost schedules were arbitrary, did not reflect actual construction costs, and were not based on "objectively verifiable" data. Unlike the Tax Court, however, the Supreme Court did *not* mandate a strict market value system. Rather, it ruled that any departures from market value must result in assessments that are "substantially uniform and equal based on property wealth."

Because executive and legislative policy makers have been slow to respond to this mandate, the Tax Court has become increasingly assertive in the pursuit of an equitable assessment system. Recently, the Tax Court established certain dates for both the adoption (June 2001) and implementation (March 2002) of constitutional assessment regulations, required the Tax Board to submit monthly progress reports, and announced that an independent reassessment commissioner would be appointed if the Tax Board's efforts were "deficient in any meaningful way."

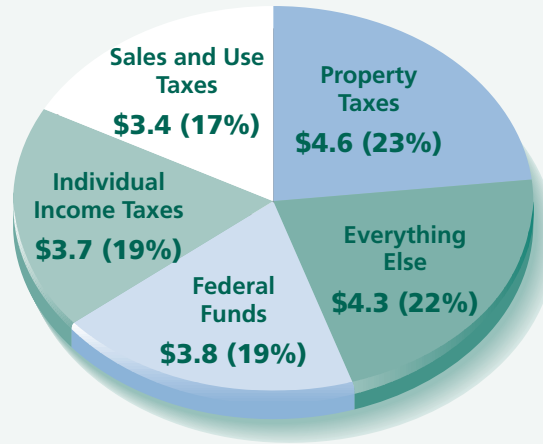
Executive Efforts. To carry out its duty to ensure uniformity and equality of property assessment and taxation, the Indiana General Assembly has delegated the development and oversight of the state's assessment system to the State Tax Board, an executive agency under the governor. This agency has the unenviable task of creating a new assessment system that will likely cause considerable shifts in tax burdens. Delays have further politicized this process, and assessment reform and tax burden shifts have become the focus of the November 2000 general election.

The Tax Board has taken steps to comply with the Supreme Court decision. The Board's 1999 proposed real property assessment manual incorporated market-derived cost tables for all property classes. Residential depreciation schedules also

FIGURE 1

Total State and Local Revenue

State of Indiana, 1999 (dollars in billions)



Sources: Indiana State Tax Board and Indiana State Budget Agency

and irregular. The last general reassessment of real property took effect in March 1995. The previous reassessment occurred in 1989, and reassessments generally took effect every ten years before then. The next general reassessment of real property has been delayed from March 1999 until at least March 2002.

Assessment Reform

Major state reform efforts, whether in welfare programs, school funding or tax policy, tend to be driven by either fiscal distress or judicial mandates, but the political process dictates the speed of reform. This same pattern holds true for tax reform to achieve a more equitable and uniform assessment system in Indiana, as policy makers have been slow to respond to judicial mandates.

Judicial Efforts. The Indiana Supreme Court's 1998 decision in *State Board of Tax Commissioners v. Town of St. John* is widely considered to be the most significant judicial decision on taxation in the state's history. The Supreme Court affirmed the state Tax Court's decision that the 1995 real

were based on the market, and the base value of agricultural land was increased from \$495 to \$1,050 an acre.

Unfortunately, other actions by the Tax Board and the inaction of the executive branch may have offset these improvements. For example, the proposed manual provided a residential assessment reduction, or shelter allowance. The Tax Board argued that basic shelter is not property wealth, since other assets cannot substitute for shelter. A shelter allowance was calculated for each county, ranging in value between \$16,000 and \$22,686, to be deducted from residential property assessments. This unique valuation method would reduce the predicted residential tax shift from 33 to 7 percent and could be considered a form of classification. Viewing this shift as unacceptable, the governor did not approve the 1999 proposed real estate manual, illustrating the highly politicized nature of assessment reform.

Legislative Efforts. Anticipating a major court decision, the 1997 Indiana General Assembly enacted legislation that many considered the first step toward significant assessment reform. It increased assessor training requirements, improved the local and state appeals process, and required the state to establish level of assessment and uniformity standards and to conduct equalization studies. Again, these improvements may have been offset by other legislative initiatives. The 1997 legislation allows township assessors to establish land values, an authority that previously rested with county land commissions. Current data indicates that these township land values are far from market values, and it is unlikely that the large number of part-time township assessors can establish more accurate land values in the future.

The recently enacted equalization legislation is also problematic. Most states equalize assessments in the first year that reassessment takes effect, to provide immediate mitigation for unequal assessment. Current Indiana law delays equalization for at least two years following the effective date of reassessment.

Conclusion

It comes as no surprise that projected property tax shifts have become the focal point of both assessment reform efforts and the 2000 general election. The highly politicized debate over “acceptable” tax burden shifts has distracted policy makers from addressing reform of assessment regulations. While market-derived assessment manuals represent a significant step, this alone will not result in a more uniform and equitable assessment system. Policy makers must also consider the following issues:

- Taxpayer equity cannot be measured by interclass tax shifts at the county level alone. Assessment reform will produce dramatic intraclass and intracounty tax shifts, but these shifts have been discussed only as they relate to residential property. Yet, current data indicates that equally

population, parcel counts, and/or assessed value.

- Adoption and enforcement of strict equalization standards may be the most significant step in the reform process.

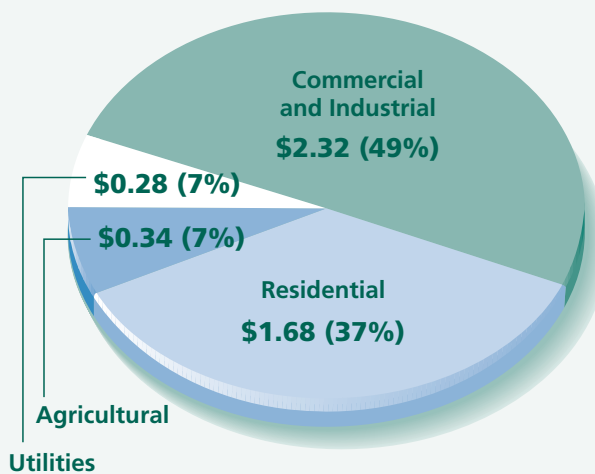
- The Indiana assessment community should take further steps to increase the level of assessor training and expand assessor qualification requirements. Policy makers also should consider appointment of local assessors by the county executive.

- Indiana land assessments have been and continue to be well below market value. This underlying problem must be rectified through assessor training, more diligent state oversight, and implementation of the equalization process.

These issues must be addressed in order to remedy the inequities currently plaguing Indiana’s property tax and assessment systems. **L**

FIGURE 2

Property Tax Payments, by Property Class State of Indiana, 1999 (dollars in billions)



Source: Indiana State Tax Board

significant shifts will occur within other property classes, especially business property.

- The current administrative structure of the state’s assessment system may not be compatible with an equitable and uniform assessment system. Restructuring the Tax Board could help insulate it from the political consequences of its oversight function. At the local level, policy makers should consider streamlining the roles of local assessors and identifying alternative assessment jurisdiction models based on

Frank Kelly and Jeff Wuensch

are cofounders of the Nexus Group, an Indiana-based research firm specializing in property taxation. Kelly is also assistant professor of economics at Butler University and Indiana University; he previously served as the senior tax analyst for the Indiana State Tax Board. Wuensch previously worked as director of tax review at the Indiana State Tax Board and at the Indiana Fiscal Policy Institute. Kelly, Wuensch and Thomas Hamilton, assistant professor of real estate in the Department of Finance at the University of St. Thomas in St. Paul, Minnesota, are joint recipients of a David C. Lincoln Fellowship in Land Value Taxation from the Lincoln Institute. This article is based on their study of Indiana’s property tax system as part of their Fellowship project.

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Regional Planning in America: Updating Earlier Visions

Ethan Seltzer

The Regional Planning Association of America (RPAA) was established in 1923 by a small, informal group of visionary planners, architects, sociologists and foresters. They laid out an agenda for building and rebuilding American cities and metropolitan regions, and for preserving rural and wilderness areas. The writings of several RPAA members, including Lewis Mumford, Clarence Stein and Benton MacKaye, have inspired students of urban planning and development for decades.

Elements of their vision were reflected in the activism of the New Deal of the 1930s, the new towns proposals of the 1960s and 1970s, and the metropolitan greenbelt and new urbanism movements of the 1990s. Despite these initiatives, RPAA's broader vision was ignored by most twentieth-century policy makers, and many of the concerns first raised in the 1920s remain largely unresolved: the impacts of suburban sprawl on cities and countryside; how to reconcile the automobile and highways with the design of communities and regions; and the need for high-quality affordable housing.

The regional planning roundtable held last April began with the screening of the 1938 film, "The City," which had been shown at the 1939 World's Fair. The film features the ideas of Lewis Mumford and others who articulated RPAA's values and visions. Many parts of the story showcased in the film have been realized: the automobile has become a dominant means of transportation; the nation's housing has been upgraded significantly; and many open spaces have been protected.

However, there remain many unexamined ideas regarding the extent to which social problems can be "solved" by manipulating physical form, especially since the agendas of 60 years ago and today are not the same. Participants also noted that the film was naive about markets and portrayed a desire to turn back the clock. The film presented a limited vision of the regional problem, and the notion of social revolu-

tion through contact with nature still haunts us.

The film was regarded as an effective piece of propaganda and advocacy for RPAA's vision, but today there are many voices and points of view, making such a clear-cut presentation very difficult to imagine. We now anticipate the need for regional planning to address even more diverse and complex social and economic issues: where to locate the still growing yet changing population; how to deal with NAFTA and other effects of globalization; increasing economic and regional disparities; and the whole notion of mass tourism, especially in cities. The panel discussed the need for a twenty-first century equivalent of the 1939 World's Fair to establish a new vision and find common ground rather than to advance a single position.

Regions as Networks

Most often, regions are regarded as something in between cities and nation-states, something that exists relative to existing structures and institutions. But, regions

also are shaped by the context of the host country, which introduces the notion that regions depend on networking to find their place and constituency. We can think and plan at a regional level, but we can't always act at that level. In the last 20 years, there seems to be more confidence about the notion of strengthening regions and regarding them as evolving places. This all points to the need to take a systems approach to planning that is not too dogmatic. We need a solid regional planning process first, rather than seizing on new urbanism, urban growth boundaries or other such planning approaches as exclusive, "one size fits all," solutions.

The roundtable participants discussed the consolidation of functions rather than institutions as a promising avenue for developing regional relationships and focusing on "what you can fix." Regional consolidations of functions are happening in some places, but with little impact on land use or quality of life. In essence, the network approach might serve some efficiencies, but questions remain about its ability to yield results that can make the region a better or more effective place.

Nonetheless, better networks rather than new structures seem to be the avenue of choice today, and carrots and sticks from the state and federal levels could be very influential in moving regional networks along. Local governments compete more than they cooperate, and regionalists too often ignore that competition. More agents or vehicles for greater cooperation are needed.

What Would a Regional Entity Do?

How could a regional entity be formed to focus on sprawl, environmental quality, a sense of "home," congestion, rates of change, etc.? Though crises can make things happen, congestion and sprawl do not seem to offer a particularly fruitful path to regional thinking. The lack of a creative, constructive regional vision or agenda today is telling. Do we, in fact, agree about why regionalism is important, what it ought to accomplish, and what ought to happen next? Perhaps key to the

EDITOR'S NOTE

Seeking to reactivate discussion of regionalism in the twenty-first century, Armando Carbonell, senior fellow and director of the Lincoln Institute's Program on Land as Common Property, and Robert Yaro, executive director of the Regional Planning Association (RPA), convened a roundtable in New York last April, in conjunction with the annual meeting of the American Planning Association (APA). Invited participants explored the extent to which the Regional Planning Association of America (RPAA) shaped the vision of twentieth-century regionalism and how that vision is still relevant today. The Institute invited Ethan Seltzer to summarize the roundtable discussions and provide his own insights about new visions for regional planning in America.

answer will be articulating what it would mean to live the regional “good life.”

We need to be able to make a case for interdependence within regions. We are all stuck in traffic but we can't see a collective solution, and technology is only helping to make being gridlocked more bearable. We need a strong case for being a region and reinforcing a sense of mutual interest and accountability. Articulating collective versus individual interests is key, and the common chord struck by the environmental and landscape ecology movements might serve as an important unifying force. Much of what passes for regional planning is really regional engineering or regional plumbing, and stems from a basic unwillingness to address the behavior of individuals.

The world is governed at the federal/state/local levels but is lived at global/regional/neighborhood levels. How does this work? It is essential to understand the dynamics of these contrasting contexts to make regional planning a reality. The question is what government as a change agent (versus a preserver of the status quo) would look like. It can't attack property rights or go after jurisdictions, or simply

seek to create a new layer of regulation.

That leaves control of infrastructure as the key governmental tool, along with the use of the market. Perhaps, it was suggested, we ought to use the Fannie Mae approach of financing good things in the right places and a regional block grant for infrastructure. Pulling the plug on the subsidies for sprawl should be a high priority.

We also need to keep the consumer in mind and not forget about marketing. We need one good idea for what is good about regions. There is an ongoing need for community building at a region level. The key objective is, or ought to be, mutual accountability rather than merely efficiency.

Regionalism in America was born of a tremendous optimism about the future of society, and the ability of leaders, planners and others to perfect that society. Those roots are less evident in discussions of regionalism today, but should be kept in mind when considering the role for a revived RPAA. The value of a regional approach, or of embracing regionalism, must be articulated in light of the state of the nation today. Why elect to take a regional

approach? What problem are we trying to solve, and how does a regional approach add value in ways that other approaches cannot?

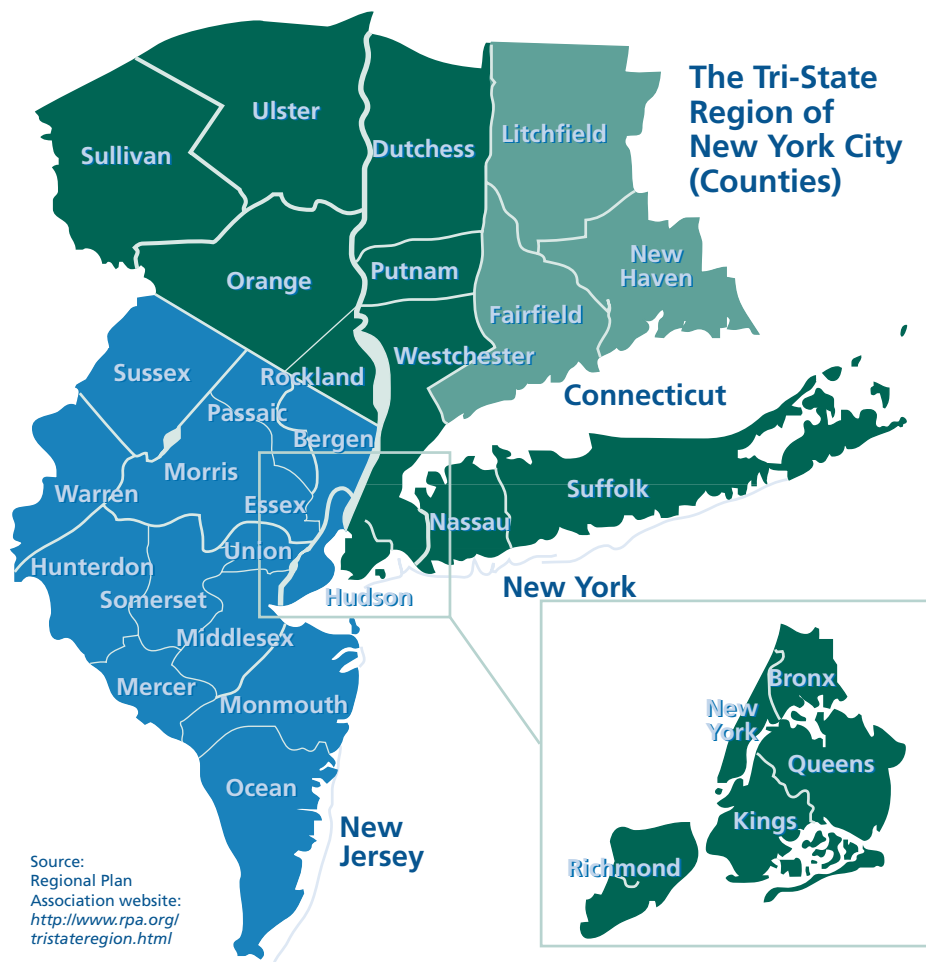
The definition of “region” needs some rethinking. In the days of the RPAA, there were only six regions in the nation. Today, every city-suburb pair seems to be calling itself a region. Regions were always envisioned as parts of a whole, and regionalism was distinguished from its evil twin, sectionalism, by the contribution that regions made to the whole. Today we need to re-articulate the ways in which the parts work together.

The RPAA was a club, and a small one at that. The work of regionalists today occurs in a much more diverse and pluralistic environment. In fact, whereas early regional initiatives were clearly planning projects, today it's not clear that regionalism is just a “planning thing.” Consequently, defining the scope and task for regional planning is critically important. The RPAA also was an advocate. The members had a point of view and they worked to advance it politically and, in the case of their film, popularly. A new RPAA would have to understand its role vis-a-vis advocacy. If it emerges as an advocate, could it even do planning, given the environment within which planning occurs today?

Key Themes for Future Action

Discussions of regionalism often center on governance and the structure of governance within regions. There are precious few examples of regions that have elected to either create new institutions at the regional level, or to consolidate existing institutions into larger bodies. There are, however, many examples of jurisdictions working together to advance service delivery in more efficient ways. The notion of a “network” region is emerging in practice: rather than perfecting institutions, the focus is on perfecting relationships and functions. Nonetheless, the challenge at the regional level is not primarily efficiency but developing a sense of mutual accountability. Building community and sense of place at a regional scale is a critical requirement for advancing on-the-ground regionalism. Developing new icons to represent regional territories of shared interest and responsibility is no easy task, but ought to be pursued.

Promoting an ongoing discussion of regionalism and regional planning, one that blends both applied and theoretical



Source:
Regional Plan
Association website:
<http://www.rpa.org/tristateregion.html>

perspectives, is valuable and should be encouraged, but reestablishing expectations for the nature of regions and resolving differences between contexts will stand as important challenges. If the old RPAA was articulating notions of “better regions for a better nation,” today we need to discuss the role of “better regions for a better world.” There are roles for regions, regionalism and regional planning that need to be figured out, and that will happen only through moving this kind of dialogue forward.

These concerns lead to a number of possible focal points for ongoing work:

Studies of Sprawl—Sprawl is playing out at a metropolitan level, but is related to more regional and global forces. Further investigations could shed light on understanding the mechanisms that promote sprawl, regional responses and the prospects for intervening in the dynamics of sprawl.

Governance—Regional governance as a network function rather than an institutional structure can lead to understanding regions as something different than more traditional institutional forms. Further, moving from a regionalism based on

efficiency to a regionalism based on mutual accountability is a critical need in the years ahead.

Regions and Regional Planning—These cornerstone concepts of the RPAA brand of regionalism need updating. Being more explicit about contemporary expectations for these terms will help to make the value of regionalism for today and the future more specific and precise.

A National Agenda for Regionalism—Currently no one is taking the lead to articulate a national agenda for regionalism. After the interstate highways, beyond smart growth and new urbanism, where are we headed? What’s next for regions, and what is the federal role?

The Film—The RPAA had their film. Can we develop a new one in light of the themes identified above? Trying to develop a film would force us to determine whether we are advocates or planners, and if advocates, what we are advocating. It would also force those involved to become more specific about areas of agreement and disagreement.

The original RPAA was a sociable club, but it also resulted in designing and building places. It published journal

articles, connected with governments and presidents, and was casual and productive. Is that model realistic in the year 2000? We need to be pragmatic. We have more to do than we can currently manage. However, communicating at a higher level, focusing on ideas, does make sense. The notion of an ongoing conversation is very important, but it probably doesn’t warrant the creation of another organization.

There is a huge educational challenge here. Whether it is educating kids in schools, providing training and education for decision makers, or deliberately advancing the thinking of a network of citizens, the educational mission must be of primary concern. Perhaps the first step would be to educate ourselves through an ongoing discussion linking thinkers and doers. A good “curriculum” on regionalism also would benefit everyone working with these issues. **L**

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International Land Use Survey

The Lincoln Institute of Land Policy, the World Bank and the Land Tenure Center at the University of Wisconsin-Madison are conducting a survey of economic policy tools to improve the efficacy of land use plans and the management of land use control programs in the developing world.

For many years, governments in developed countries have used regulatory policy tools such as zoning to deal with the external environmental impacts of private landholder decisions. For example, zoning regulations are used to separate industrial from residential land use, to reduce the negative external impact of industrial activity on family life. More recently, governments and private groups have begun to use new economic policy tools to try to achieve environmental goals (such as watershed or biodiversity protection) at reduced social and economic costs, or to reduce many types of land use conflicts.

In the developing world, there has

been no comprehensive review of the experience in applying economic tools for guiding land use decisions. Such policies or programs would create incentives to encourage or assist individuals in exchanging rights in land, consistent with a set of broader land use policy objectives. Economic incentive policies may provide financial rewards (or penalties) for undertaking specified actions that support (or undermine) social and environmental goals for land use. Three examples are:

- Rental payments to maintain land under natural forest (e.g., Costa Rica’s environmental services payment system).
- Laws that permit the sale of conservation easements, as when landowners agree to irrevocably restrict the deed to their land to prohibit certain uses in exchange for a reduction in assessed valuation of the property, and therefore a lower property tax obligation.
- Payments or subsidies for environmentally oriented land use activity (e.g.,

a South Africa program that pays for removal of exotic tree species that deplete ground water or for planting appropriate trees in sensitive watershed areas).

In this survey we are interested in learning about as many places as possible where such incentive-based tools or economic programs have been adopted to help guide rural land use. We want to compile a broad set of instruments, especially the causes of their success or failure. We will select a few cases for more intensive study, involving local experts as much as possible, and will share the results of the investigation on our institutions’ websites.

The survey, with complete instructions, is posted on the Lincoln Institute website at www.lincolnst.edu. If you have any questions, please contact Douglas Keare, fellow of the Lincoln Institute, at Doug@lincolnst.edu.



Urban Spatial Segregation: Forces, Consequences, and Policy Responses

Rosalind Greenstein, Francisco Sabatini and Martim Smolka

Spatial segregation is a feature of metropolises from San Diego to Boston, from Santiago to Cape Town, from Belfast to Bangalore. In some places the segregation is associated primarily with racial groups, in other places, ethnicity or religion, while in still other places, income status. In our experiences with the Americas, we find that international comparative research allows researchers and policy analysts to see both unique and shared characteristics in sharp relief. For example, in Latin America, the public debate around urban spatial segregation typically focuses on socioeconomic issues, whereas in the U.S. and many developed countries the debate centers more on racial or ethnic disparities.

Residential segregation also has different meanings and consequences depending on the specific form and structure of the metropolis, as well as the cultural and historical context. In North America, social and ethnic minorities tend to be segregated in less desirable inner-city locales while the upper- and middle-class majority disperses into small, socially homogeneous urban neighborhoods or suburbs across the metropolis. By contrast, in Latin American cities it is the elite minority that tends to concentrate in one area of the city.

The Forces

The forces that contribute to spatial segregation are many and varied. The apartheid laws of South Africa were one extreme case of large-scale, government-sanctioned spatial segregation. Other cases have garnered less international attention, such as the Brazilian government's destruction of *favelas* in the 1960s, when the poor inhabitants were removed to other segregated locations. On a smaller scale, in Santiago, Chile, between 1979 and 1985 during the Pinochet regime, more than 2,000 low-income families were evicted from high- and middle-income residential areas with the stated objective of creating neighborhoods that were uniform by socioeconomic group.

While government evictions and legal

frameworks are explicit mechanisms for creating urban spatial segregation, more subtle mechanisms also have been used to create or enforce spatial segregation. In Colombia, the *contribución de valorización* (a kind of betterment charge) was imposed on inhabitants of an informal settlement in Bogotá located on the edge of a new circumferential highway. Officials knew the charge was higher than most inhabitants could afford to pay and would likely lead them to "choose" relocation. In setting land use standards that the poor could not meet, the government virtually forced them toward the informal, peripheral areas. The U.S. is no stranger to such mechanisms to create segregated housing markets. For example, some real estate agents shun racial and ethnic minorities or persons from lower social classes who do not fit their target markets, and many small landlords rely on informal networks to find the kinds of tenants they prefer.

CALL FOR PAPERS ON SEGREGATION

In July 2001, the Lincoln Institute of Land Policy will convene a three-day international seminar on urban spatial segregation. Researchers and policy analysts from around the world will seek to gain a deeper understanding of the forces that contribute to spatial segregation, the consequences of segregation patterns, and possible policy responses.

Scholars are invited to submit an abstract for consideration as part of this seminar. We are looking for original papers that comment on urban segregation, or that offer alternative viewpoints on how to frame the issue. An abstract of up to 500 words must be received at the Lincoln Institute by December 31, 2000. Complete information and guidelines for this Call for Papers is available on the Institute's website (www.lincolninst.edu).



Voluntary segregation has become a new force, with the proliferation of gated communities in both northern and southern hemispheres. This trend seems to have several motivations, including both supply and demand factors. On the demand side, residents might be attracted to the perception of security or a new lifestyle. On the supply side, builders and developers find tremendous profitability with the large-scale internalization of externalities in these highly controlled developments.

The complexity that stems from the combination of coercive and voluntary segregation leads us to a deeper question: What is the relationship between social differences and spatial segregation? It is commonly assumed that the former are "reflected" in the latter. Social groups sometimes resort to segregation in order to fortify their weak or blurred identity, as in the case of emerging middle-income groups or immigrant communities in search of social recognition. To a great extent, the post-war suburbanization process in U.S. cities can be interpreted as a means of homogeneous sorting to strengthen social identity.

The Consequences

In the U.S., spatial segregation is a serious policy issue because of the complex interactions between land and housing markets on the one hand, and their connection to local revenues and the distribution and quality of local services on the other hand. Disparities in school quality may be one of the more dramatic examples of the variations in public services between places.

The combination of residential segregation by class and by racial or ethnic groups and the systematically uneven spatial distribution of quality schools results in poor inner-city enclaves where children attend substandard schools, which in turn limits their life chances. Other services, such as access to transportation and health care, also vary spatially, as do such measurable factors as air quality and neighborhood infrastructure.

In other countries, spatial segregation of the poor often occurs within informal

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Voluntary and coercive segregation in Latin America are exemplified in these images of a new gated community and a favela.



PHOTOGRAPHS BY MARTIM SMOLKA

settlements. These areas once were viewed as aberrations, but scholars increasingly understand informality as a result of the normal functioning of land and housing markets, not as part of a duality of formal versus informal economies. In this view, illegal, irregular, informal, or clandestine activities to access and occupy urban land *are* the way that the market provides housing for poor people. Nevertheless, these arrangements are not always “chosen” for their low price or relative conveniences, but rather because they are one of an extremely limited set of choices available to the poor.

Traditional segregation patterns in Latin American cities are changing due to the proliferation of new gated communities for expanding high- and middle-income groups and the emergence of shopping centers and office complexes in more “modern” areas beyond the former urban enclaves. In São Paulo, Santiago, Buenos Aires and Mexico City, to name a few of the biggest and most dynamic cities, these developments are appearing even next to lower-income areas. Segregation of uses and access is becoming more intense, making the growing social inequalities of the last decades more apparent. Yet, at the same time, these changes in the patterns of segregation are reducing physical distances among socioeconomic groups, and are bringing “modern” commercial facilities and improved public spaces closer to the poor.

The consequences of segregation are probably changing due to this reduction in its geographical scale. Some of the negative effects of large-scale segregation of the poor (i.e., their agglomeration in the periphery of the cities) could be fading in this new, more diverse urban landscape. Recent empirical studies carried out in Santiago support this contention.

Policy Responses

Spatial segregation is both a reflection of the existing social structure and a mechanism to enforce that structure, thus raising the question of how and when segregation should be addressed. Is the problem in the U.S. context that poor minority children live among others of the same income and racial group, or is it that by living in poor, segregated areas the children’s life opportunities are limited because of their inaccessibility to good schools? Is the answer to improve the schools, to integrate the neighborhood, or to initiate a combination of these and other responses?

In the context of developing countries, is the problem of informal settlements that they are often dangerous (due to risky environmental conditions or street violence) or that the residents are isolated from good jobs, transit and other services? Is the answer to reduce or eliminate the danger, to improve transit, to bring jobs to the neighborhood, or to try all of these programs?

We need to improve our understand-

ing of the social problems in these segregated areas in order to adequately design and implement appropriate policy responses that are necessarily multidimensional. Should change come in the form of corrective programs (e.g., regularization or upgrading of informal settlements) or more fundamental policies that would involve the massive provision of serviced land at affordable prices? One “corrective” option contrasts the informalization of formal arrangements (e.g., deregulation) with the formalization of the informal (e.g., the redefinition of zoning codes or the regularization of alternative tenure systems).

A more fundamental solution would be either piecemeal implementation or mandatory designation of social housing developments in high-income areas. A different sort of tool is to open up decision making around the allocation of public investment, as in the successful *orçamento participativo* process used in the municipality of Porto Alegre, Brazil, where the budget is determined with extensive public participation. Other responses could address the radical upgrading of existing low-income peripheral settlements, more extensive use of linkage fees, or the elimination of land markets altogether, as was done in Cuba. However, we need more information regarding the efficacy of these varied programs and tools, and careful analysis of the necessary conditions to increase the chances of success.

Globalization has fostered the movement of labor and capital, bringing both the positive and negative experiences of developed and developing countries closer together. Immigrants to the U.S., particularly undocumented ones, tend to settle in urban enclaves, but their lack of legal status reverberates beyond those settlements. Access to jobs and credit is limited, which in turn restricts the immigrants' mobility and reinforces existing spatial segregation.

On the other hand, as U.S. financial and real estate corporations extend their operations overseas, they introduce U.S. protocols, conventions, expectations and ways of operating. The exportation of such U.S. norms to developing countries may lead to new patterns of geographic discrimination (e.g., redlining) by race and/or ethnic group, where such practices previously were less explicit.

We know from past research and experience that segregation can increase land revenues for developers and landowners. We also know that the profitability of housing development is dependent upon public investments in roads, facilities and services. At the same time, we acknowledge that segregation has both negative and positive impacts on city life, ranging from social exclusion that makes life harder for the poor to strengthened social and cultural identities that contribute to the city's diversity and vitality.

The face of segregation varies both within and between metropolises. However, comparative international work has demonstrated that there are important trends of convergence between U.S. and Latin American cities. We have much more to understand regarding the effects of interacting land and housing markets and the regulatory structure on spatial segregation and the life chances of urban residents. **I**

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Program Calendar

Contact: Lincoln Institute, 800/LAND-USE (800/526-3873) or help@lincolninst.edu, unless otherwise noted.

Can Land Value Increments be (Re-)Captured to Benefit the Community and Reduce Spatial Segregation?

NOVEMBER 3
Presentation at the Association of Collegiate Schools of Planning Annual Conference
Atlanta, Georgia
Contact: Pat Jackson Gleason, 850/907-0092 or pgleason@acsp.org

Chairman's Roundtable: Impacts of Advanced Information and Telecommunication Technology on Urban Development

NOVEMBER 9
Lincoln House
Cambridge, Massachusetts

Mediating Land Use Disputes

NOVEMBER 13-14
Lincoln House
Cambridge, Massachusetts

Measures to Mitigate Risks in Irregular Settlements

NOVEMBER 16-18
Cosponsored with State, Urban and Municipal Services (SUME)
Veracruz, Mexico
Contact: Jose Langarica, jlangarica@sume.com.mx

National Conference of State Legislatures Fiscal Chairs Seminar

NOVEMBER 29-DECEMBER 2
Boston, Massachusetts
Contact: lisa.houlihan@NCSL.org

The Price of Land Expropriation: Limits to Public Policies in São Paulo, Brazil

DECEMBER 1
São Paulo, Brazil
Contact: Erminia Maricato, erminia@usp.br

International Seminar on Urban Renewal Experiences

DECEMBER 4-5
Cosponsored with Mackenzie Presbyterian University and Economic Development Agency of the Greater ABC Region
Santo Andre, São Paulo, Brazil
Contact: Nadia Somekh, nadia@mackenzie.com.br

Reinventing the Strip

DECEMBER 6
Audio Conference Training Program cosponsored with the American Planning Association
Contact: Jerieshia Jones at APA, 312/431-9100 or jjones@planning.org

Land Regulation Network Meeting

DECEMBER 6
São Paulo, Brazil
Contact: alejandra@lincolninst.edu

Urban Land Management and Social Housing Development

DECEMBER 7-9
Cosponsored with Pólis Institute and Habitat Laboratory of the Catholic University of Campinas
Campinas, São Paulo, Brazil
Contact: Raquel Rolnik, polis@ax.apc.org

First Brazilian Congress on Urban Law

DECEMBER 13-15
Cosponsored with IRGLUS-International Research Group on Law and Urban Space
Belo Horizonte, Brazil
Contact: edesiofernandes@compuserve.com

Economic Development and Changing Communities

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Lincoln Lecture Series

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Using Land as a Tax Base: Fiscal Reform of Property Tax in Baja California

NOVEMBER 6
Manuel Perló and Sergio Flores Peña, Urban Studies Program, Autonomous National University of Mexico (UNAM)

Sitcom Suburbs Meet e-Fringes: Familiar and Unfamiliar Forms of Suburban Space

DECEMBER 7
Dolores Hayden, Department of Architecture, Urbanism and American Studies, Yale University

Impacts of Electric Utility Deregulation on Property Taxation

Deregulation of electric utility generation is likely to impact significantly the local property tax base in communities where power plants are located. It will change established processes and methods of utility valuation for ad valorem taxation and affect long-standing relationships between local governments and utilities in the use of public property. Property tax revenues are major sources of funds for local governments and public education systems throughout the United States. Changes to that tax base, particularly the prominent share previously borne by electric utilities in some localities, will affect both total tax revenues and the tax burden of other taxpayers in the jurisdiction. As the profound change from publicly regulated utilities to competitive utility markets continues to evolve, property taxes also will affect the profitability and competitiveness of the new utility industries.

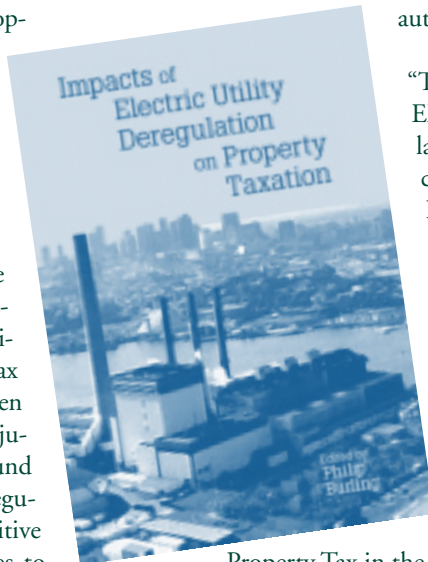
To address this complex issue, the Lincoln Institute sponsored a two-day seminar in October 1999, chaired by Philip Burling of Foley, Hoag and Eliot LLP, Boston. The seminar brought together distinguished experts from the academic, public and private sectors to examine and discuss the challenges of deregulation to the valuation and taxation of electric utility property.

The seminar papers have been edited by Philip Burling and published in the Lincoln Institute book, *Impacts of Electric Utility Deregulation on Property Taxation*. The authors analyze various legislative approaches and examine potential changes in property values and tax revenues as a result of deregulation. They also explore various methods of appraising and assessing power plants and power transmission systems in the light of utility energy restructuring, and consider whether the free use of public rights-of-way enjoyed

by public utilities should be continued for private, deregulated utilities.

This book is intended to expand understanding and stimulate discussions of utility deregulation that can serve the public interest and help develop new approaches to property valuation and taxation in this new environment.

The chapter titles and authors are listed below:



“The Challenge of Electric Utility Deregulation: Valuing Merchant Power Plants and Power Transportation Systems,” by Philip Burling

“A Brief History of the Electric Utility Industry,” by Richard D. Pomp

“Electric Utility Deregulation and the Property Tax in the United States,” by Lawrence C. Walters and Gary C. Cornia, with Commentary by W. Bartley Hildreth

“Electric Utility Deregulation and the Property Tax in California and Other Western States,” by Terri A. Sexton and Steven M. Sheffrin, with Commentary by C. Kurt Zorn

“Changes in Property Tax Standards Due to Electric Industry Restructuring and Deregulation,” by Gary J. McCabe, with Commentary by Michael L. Austin

“Power Plant Values and Property Taxes: Two Legislative Approaches,” by Terry F. Moritz, with Commentary by John O’Brien

“Examining Changes in Market Values and Appraisal Methods of Electric Utility Property as a Result of Deregulation,” by Michael W. Goodwin, with Commentary by David C. Moody

“Appraisal of Electric Power Generating

Plants: The Sales Comparison Approach,” by John C. Goodman, with Commentary by William B. Hayden

“Application of the Cost Approach to the Valuation of Electric Power Generating Plants,” by Michael E. Green, with Commentary by Brent Eyre, and a Rejoinder by Michael E. Green

“Utility Appraisal: Redundancy of the ‘Obsolescence-Adjusted’ Depreciated Historical Cost Approach,” by Richard R. Simonds, with Commentary by Sally Powers and Kevin McDevitt

“Property Excise Tax: An Alternative to Ad Valorem Taxation,” by Michael W. Goodwin

“Rethinking Compensation to Local Governments for Utilities’ Use of Public Rights-of-Way,” by Bruce A. Wallin, with Commentary by Catherine Salisbury

For more information or to order the book, *Impacts of Electric Utility Deregulation on Property Taxation*, edited by Philip Burling, call the Lincoln Institute at 800/LAND-USE (800/526-3873), fax the Request Form on page 11, or email to help@lincolninst.edu.

ISBN: 1-55844-140-9. Paper. 212 pages. \$20.00 plus shipping and handling.

New Working Papers on Land Taxation

Nathaniel Lichfield and Owen Connellan have prepared three reports on land value taxation in Europe.

Land Value and Community Betterment Taxation in Britain: Proposals for Legislation and Practice offers proposals for land value taxation legislation and taxation in light of the current system of British infrastructure finance. The proposed taxes would recover for the public a portion of land value increments through capital levies and infrastructure contributions. (2000. WP00NL1, 94 pages, \$14.00)

Land Value Taxation for the Benefit of the Community: A Review of the Current Situation in the European Union suggests that, since property taxation exists in all E.U. countries, the land value tax is a good candidate for tax harmonization there. (2000. WP00NL3, 106 pages, \$18.00)

Land Value Taxation and Eco-taxation: Their Social and Economic Interrelationship, written in collaboration with John Corkindale and James Robertson, explores the relationship between these two tax systems. It considers the role of land taxation as part of an international strategy for worldwide land policy and natural resource management. (2000. WP00NL4, 42 pages, \$9.00)

Owen Connellan also collaborated with Frances Plimmer and William McCluskey to report on *Equity and Fairness within Ad Valorem Real Property Taxes*. This paper analyzes examples of inequities and unfairness in real property taxation in Northern Ireland, England and Wales. It highlights the need for methodological and operational reforms, the most important being more frequent and regular revaluations. (2000. WP00FP1, 86 pages, \$14.00)

To order any of these papers, mail or fax the Request Form, call 800/LAND-USE (526-3873), or email to help@lincolinst.edu. The papers also are available for free downloading on the Lincoln Institute website (www.lincolinst.edu).



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