

## Input to the Habitat III Informal Hearings with Local Authorities Associations 16 -17 May 2016

From Alanna Hartzok, Administrative Director for The International Union for Land Value Taxation, an ECOSOC affiliated UN NGO. I made remarks from the floor for the UN Habitat 3 Local Authorities Session the morning of 16<sup>th</sup>.May. In building a foundation for my recommendations for the Zero Draft I quoted from previous UN Habitat documents that recommended land value taxation and land value capture as key policies for urban public finance. Following this I give my recommendations for the Zero Draft document.

### **Previous UN Habitat documents that recommended land value taxation and land value capture:**

Contained in the Vancouver Action Plan – the 1976 founding document for UN- Habitat – is this succinct and clear statement of why this form of public finance is essential:

*Social justice, urban renewal and development, the provision of decent dwellings and healthy conditions for the people can only be achieved if land is used in the interests of society as a whole....*

*Taxation should not be seen only as a source of revenue for the community but also a powerful tool to encourage development of desirable locations, to exercise a controlling effect on the land market and to redistribute to the public at large the benefits of the unearned increase in land values...*

*The unearned increment resulting from the rise in land values resulting from change in use of land, from public investment or decision or due to the general growth of community must be subject to appropriate recapture by public bodies (the community)*

The 1996 UN HABITAT II Action Agenda holds a similar perspective stating:

The failure to adopt, at all levels, appropriate rural and urban land policies and land management practices remains a primary cause of inequity and poverty. It is also the cause of increased living costs, the occupation of hazard-prone land, environmental degradation and the increased vulnerability of urban and rural habitats, affecting all people, especially disadvantaged and vulnerable groups, people living in poverty and low-income people." [B.55]

The Action Agenda makes these recommendations: "Apply transparent, comprehensive and equitable fiscal incentive mechanisms, as appropriate, to stimulate the efficient, accessible and environmentally sound use of land, and utilize land-based...taxation in mobilizing financial resources for service provision by local authorities [B.56 (d)] Consider the adoption of innovative instruments that capture gains in land value and recover public investments." [B.56 (h)]

Given that UN Habitat Agendas have recommended land value tax and capture policies since the founding of UN Habitat 40 years ago, it is our view that it is now long past time to roll out capacity building and training programs for best practices for implementation of this public finance approach. Thus here are is our input for the Zero Draft:

### **Suggested Revised #133:**

**133. We will implement specific mechanisms to capture the increase in land value generated by public investments, including the increased value of residential and commercial land brought about by provision of economic and social infrastructure and quality public space. Measures will be put in place to prevent its private capture as well as land speculation by introducing land value taxation and land value capture with the aim to ensuring the contribution of land owners to a more equitable urban development.** Furthermore the capture of the value of land (land rent) as the basis for public finance has the additional advantages of creating more compact cities by encouraging infill development; better enabling the private sector to provision affordable housing when taxes are removed from work and production and land is affordable; helping to eliminate poverty by harnessing incentives for local production and employment; and securing adequate public finance capacity to fund infrastructure and needed public services for all.

Here are additional paragraphs we suggest for the Zero Draft:

### **Land value tax / capture and wealth inequality:**

Shortsighted economic development programs often increase inequality, aggravating poverty as a cost of progress. Securing safe and reliable water supplies, introducing better farming methods, etc. increases the land users' advantage, but also the rents and mortgages they must pay for land access. Fair and affordable land access is essential for successful, equitable development and is attainable via land value taxation.

Freedom, justice and prosperity are directly linked to fundamental equitable rights to access land. People who can work on their own landholdings can better negotiate fair wages and need not bid against each other for scarce jobs. Removing taxes from wages, a corollary of this public finance approach, increases purchasing capacity and thus the ability of workers and landless people to secure housing and engage in productive activities. Opening opportunities for all to produce food, start businesses and build homes bridges the wealth gap.

### **Land value tax / capture and importance to gender equality and women's rights to land:**

Women hold a small fraction of land compared to men. Their roles in child rearing and the community often make them less mobile than men. When women migrate to cities where jobs may be scarce, they sometimes become targets for exploitation at subsistence wages or even worse conditions. Land value capture strengthens the economic status and security of women

by reducing gender-based inequities stemming from inequitable land tenure systems. Access to land enables women to secure sites for housing, food production or small businesses. Women's job opportunities and purchasing power increase as taxes are lifted from family earnings and placed on land values; women and men are both better off, enhancing social stability. Inclusion of women in the implementation of this public finance tool is essential in order to incorporate their views and concerns. Reforms must respect women's equal rights to land and account for land value taxation's effect on customary land tenure arrangements.

### **Public Finance for Climate Mitigation:**

Establishing public finance and tax systems based on land value taxation and pollution taxes can mitigate climate change. Climate finance and sustainable development finance are strongly interrelated and both can be best addressed with this approach while lowering or entirely eliminating taxes on work and production.

Ecological economics research and data indicate that true cost pricing of natural resource use and capturing that cost via ecotaxes and resource rental charges (land value tax and capture) would be sufficient to eliminate taxes on labour and productive, sustainable capital. Thus full incentives are harnessed to address climate change (tax "bads") and encourage green technology (untax "goods").

There are several ways that this public finance approach can mitigate climate change:

**Tax pollution** - Governments should directly levy carbon and other pollution charges and use these funds to develop renewable energy systems and to launch campaigns to “buy and invest in clean and green” technologies and products. We support Jeffrey Sachs call for a global carbon tax. See: [www.devex.com/news/for-jeffrey-sachs-100b-climate-finance-target-has-2-major-problems-86658](http://www.devex.com/news/for-jeffrey-sachs-100b-climate-finance-target-has-2-major-problems-86658) and also for local pollution taxes when they can be effectively administered.

**Decrease or eliminate wage taxes** – Because carbon energy taxes can be regressive, they should be levied while also decreasing taxes on wage incomes or ideally, wage taxes should be completely eliminated in order to secure the full purchasing capacity of workers.

**Reduce or ideally eliminate taxes on buildings** – Reducing or ideally eliminating all taxes on buildings when levying full land value taxation/capture encourages infill development and more compact cities that make energy efficient use of public transportation and infrastructure while discouraging wasteful sprawl development patterns. Eliminating taxes on buildings can help encourage environmentally sustainable “green building” practices. Also, currently in many cities in the world commercial or industrial buildings are often treated as capital depreciation against local property taxes due to local government. Eliminating taxes on buildings means that valuable urban land sites will not escape taxation while homeowners will not pay more in property taxes when home improvements are made.

**Curb profiteering and speculation in land and natural resources** – When investment of funds in these non-productive activities is discouraged via land value capture more funds are available for investing in new "green energy" technologies and environmentally sensitive design and production

**Encourage more labor intensive, organic, regional and urban agriculture rather than oil intensive agribusiness.** Land value capture will help keep land affordable for small farm agriculture and better reward farmers for their labor when their tax burden is decreased or eliminated. This form of agriculture also encourages healthy communities and decentralized, local based economies, decreasing the necessity for people to drive long distances to work or for food to be transported long distances to markets.