

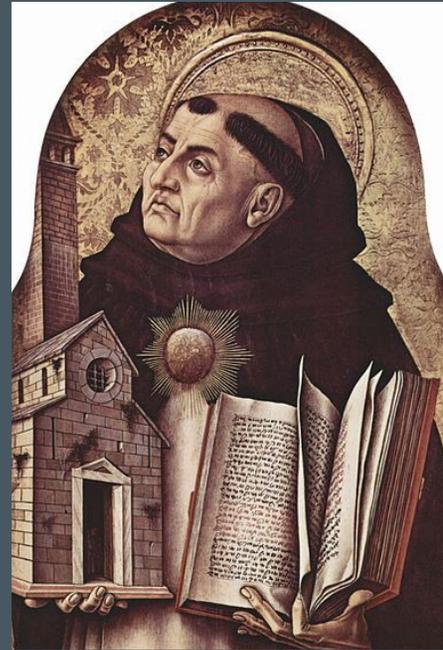
Land Value Taxation and the Post-Liberal Economy

Socializing Land and Incentivizing Development
as Common Good Practical Politics in Kane County, IL

Land Value Taxation and the Post-Liberal Economy



Aristotle

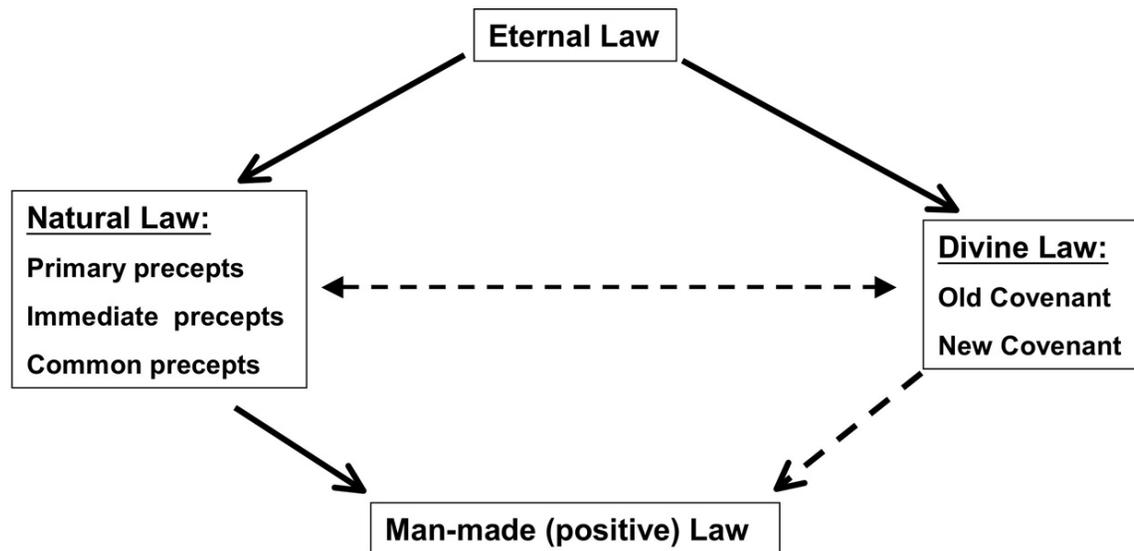


Thomas Aquinas

Land Value Taxation and the Post-Liberal Economy

Aquinas on Law (generally):

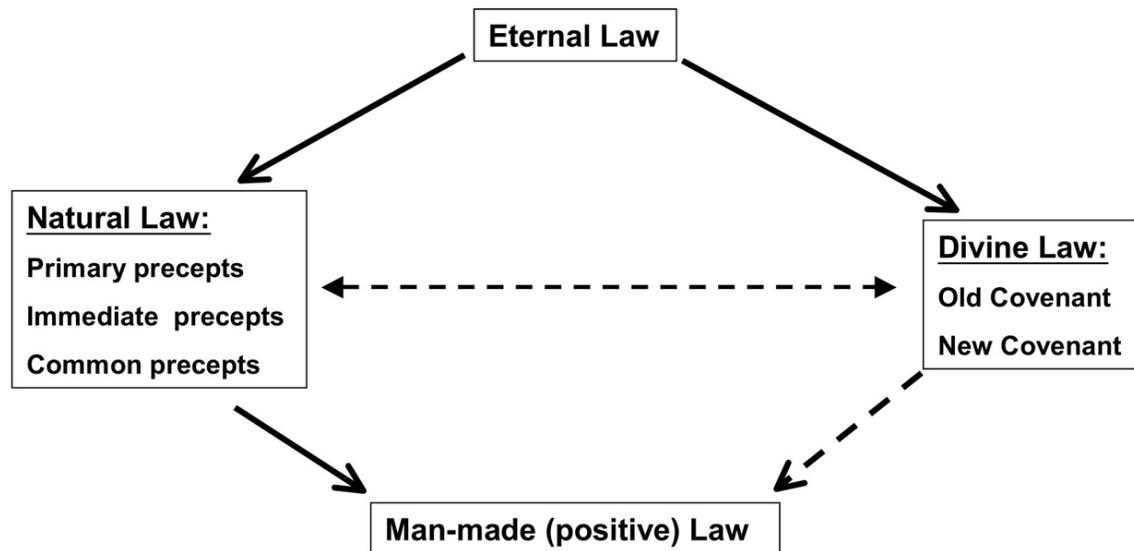
1. An ordinance of reason
2. For the common good
3. Made by the authority responsible for the community; and
4. Promulgated



Land Value Taxation and the Post-Liberal Economy

Aquinas on Natural Law and Positive Law:

- The latter derives its efficacy (i.e., its status as *law*) by virtue of its participation in the former
- Tax Law as a species of Positive Law



Land Value Taxation and the Post-Liberal Economy

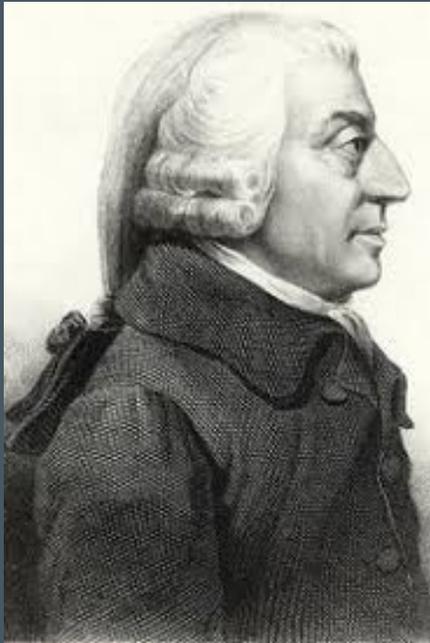
Principles of Catholic Social Teaching

- The *dignity of the human person* from conception to natural death
- The human person as both *social animal* and *moral agent*, requiring both virtue and grace to turn toward good and away from evil
- Communal *solidarity*
- Civil society as a realm of multiple authoritative institutions the relations of which are governed by the principle of *subsidiarity*
- The *common good* as the purpose of civil government [n.b., civil society includes but \neq civil government]
- Public policy with a bias for the needs of the involuntarily poor
- The human *stewardship of creation*
- *Religious freedom* as a fundamental human right

PREMISES:

- That human beings are dependent rational animals;
- That human beings are intermediate beings (and therefore also exceptional beings), with stewardship responsibilities for nature;
- An Aristotelian – Thomist view of virtue ethics, cities, and human flourishing;
- That low-density sprawl development is not economically sustainable owing to its infrastructure costs;
- That the global economy will not be sustainable due to rising costs of transporting goods;
- The entirely predictable near-term economic decline of the city of Chicago and the State of Illinois owing to political corruption, ruinous fiscal policies, suburban infrastructure over-extension, and the decline of character virtue among the citizenry (aka the triumph of the therapeutic);
- A bias for small scale and incremental economic growth and development, local food production, and local low-embodied energy building materials; and finally
- Land value taxation as best suited to Catholic social teaching about environmental stewardship, social solidarity, subsidiarity, and human creativity.

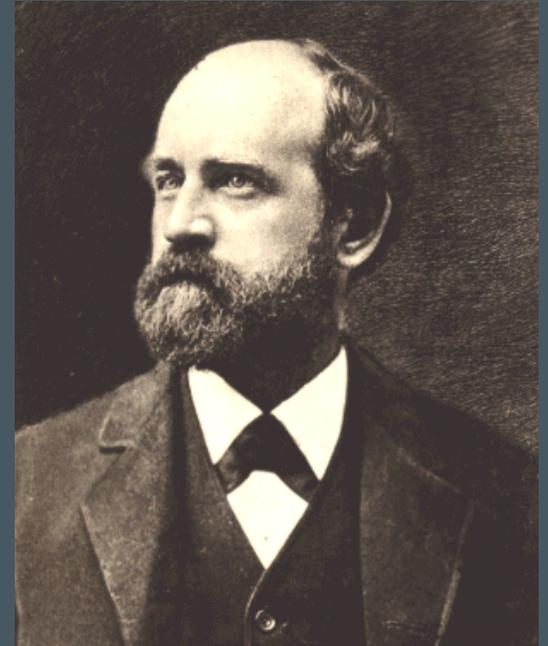
Land Value Taxation and the Post-Liberal Economy



Adam Smith

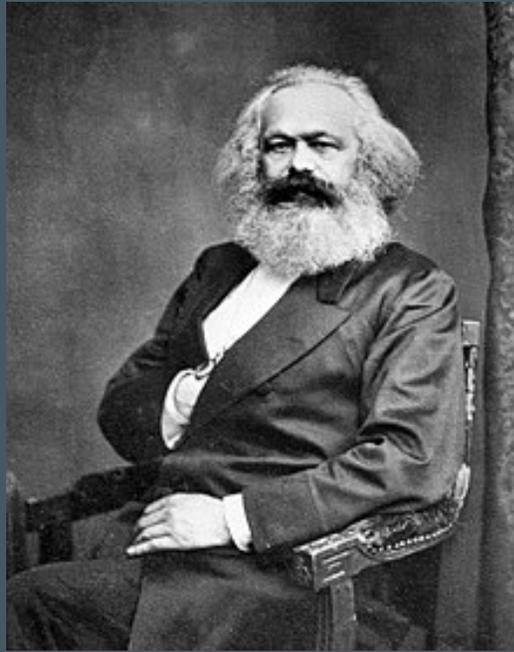


David Ricardo

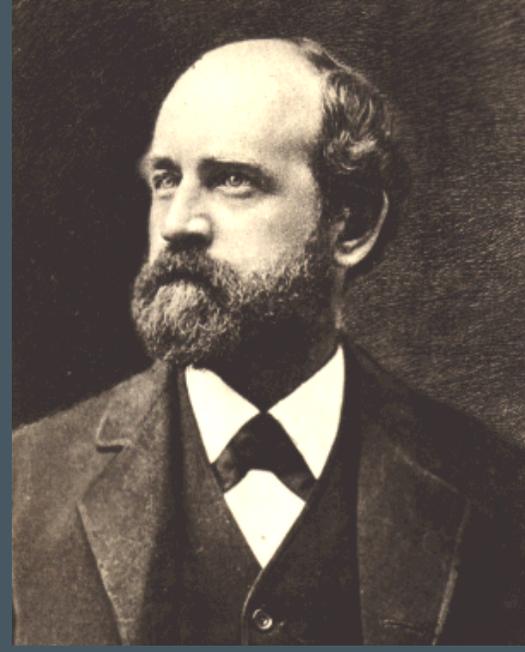


Henry George

Land Value Taxation and the Post-Liberal Economy

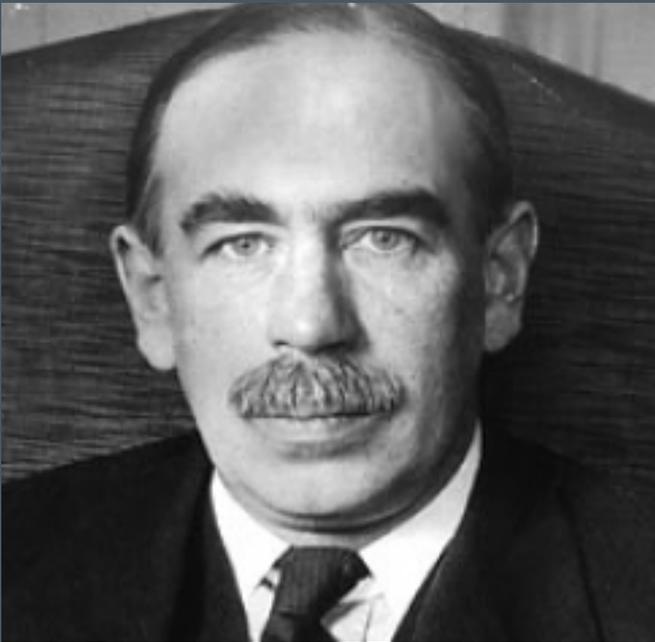


Karl Marx

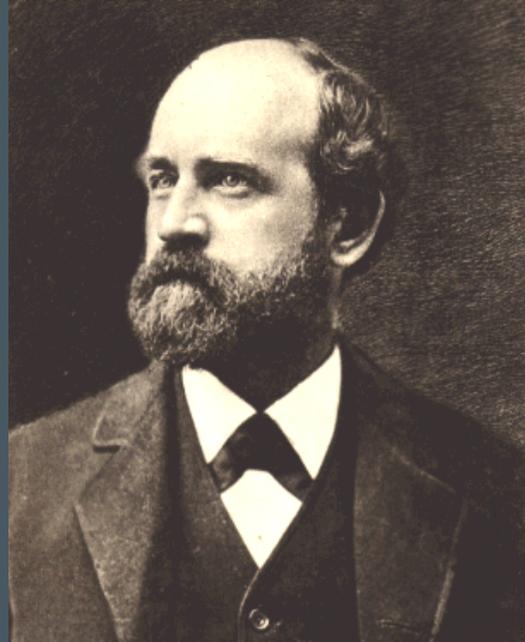


Henry George

Land Value Taxation and the Post-Liberal Economy



John Maynard Keynes



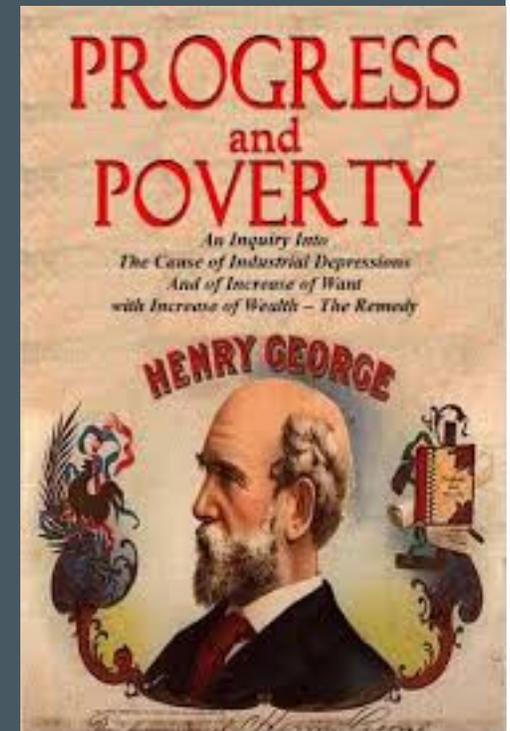
Henry George



Friedrich von Hayek

“Take now... some hard-headed business man, who has no theories, but knows how to make money. Say to him: ‘Here is a little village; in ten years it will be a great city...the railroad will have taken the place of the stage coach, the electric light of the candle [and] it will abound with all the machinery and improvements that so enormously multiply the effective power of labor. Will in ten years, interest be any higher? [The] wages of the common labor?’ He will tell you, "No.’ ‘What, then, will be higher?’ ‘Rent, the value of land. Go, get yourself a piece of ground, and hold possession.’ And if, under such circumstances, you take his advice, you need do nothing more. You may sit down and smoke your pipe; you may lie around like the [aristocracy of Europe or South America]; you may go up in a balloon or down a hole in the ground; [but] without doing one stroke of work, without adding one iota of wealth to the community, in ten years you will be rich! In the new city you may have a luxurious mansion; but among its public buildings will be an almshouse.”

-- Henry George. *Progress and Poverty*



Land Value Taxation and the Post-Liberal Economy

Defining Some Key Terms:

Wealth: all material things produced by labor for the satisfaction of human desires and having exchange value

Land: The entire material universe exclusive of people and what people produce

Labor: All human exertion in the production of wealth

Capital: Wealth used to produce more wealth, or wealth in the course of exchange

Rent: That part of wealth which is the return for the use of land

Wages: That part of wealth which is the return to labor

Interest: That part of wealth which is the return for the use of capital

Distribution: The division of wealth among the factors that produce it

PROPERTY TAX (diagram courtesy Chuck Marohn)

Total Assessed Value of Block = \$1,000,000 (\$400K Land / \$600K Buildings)

Total Tax Revenue on Block with 4 Lots = \$10,000 (@ 1% Tax Rate)

<p>Lot (vacant) = \$100,000</p> <p>TAX = \$1,000</p>	<p>Lot (occupied) = \$100,000 Building = \$300,000</p> <p>TAX = \$4,000</p> 
<p>Lot (vacant) = \$100,000</p> <p>TAX = \$1,000</p>	<p>Lot (occupied) = \$100,000 Building = \$300,000</p> <p>TAX = \$4,000</p> 

LAND VALUE TAX (LVT) (diagram courtesy Chuck Marohn)

Total Assessed Value of Block = \$400,000 (Land only)

Total Tax Revenue on Block with 4 Lots = \$10,000 (@ 2.5% Tax Rate)

<p>Lot (vacant) = \$100,000</p> <p>TAX = \$2,500</p>	<p>Lot (occupied) = \$100,000 Building = 0</p> <p>TAX = \$2,500</p> 
<p>Lot (vacant) = \$100,000</p> <p>TAX = \$2,500</p>	<p>Lot (occupied) = \$100,000 Building = 0</p> <p>TAX = \$2,500</p> 

Land Value Taxation and the Post-Liberal Economy

Land Value Taxation:

As Source of Public Revenue

For Environmental Preservation

For Efficiency of Collection and Minimal Negative Externalities

How Much Rent Should the Community Collect?

Land Value Taxation and the Post-Liberal Economy

Capitalism

	RENT
	WAGES
	INTEREST

To Society To The Individual

Table 1

	RENT
	WAGES
	INTEREST

To Society To The Individual

Table 2

Communism

RENT	
WAGES	
INTEREST	

To Society To The Individual

Table 3

RENT	
WAGES	
INTEREST	

To Society To The Individual

Table 4

Socialism

Georgism

Labor yields *Wages* / **Capital** yields *Interest* / **Land** yields *Rent*

Produce (wealth) = Rent + Wages + Interest (OR: Produce - Rent = Wages + Interest)

- “[No] matter...the increase in productive power, if the increase of rent keeps pace with it, neither wages nor interest can increase.”
- “Thus, where the value of land is low, there may be a small production of wealth, and yet a high rate of wages and interest.... And where the value of land is high, there may be a very large production of wealth, and yet a low rate of wages and interest.... [Where] productive power increases...wages and interest will be affected not by the increase but by the manner in which rent is affected. If the value of land increases proportionately, all the increased production will be swallowed up by rent, and wages and interest will remain as before.... [Only] when the value of land fails to increase as rapidly as productive power [can] wages and interest...increase with the increase of productive power.”

Unimproved land value = the dollar-amount-worth of a parcel of land without any buildings or improvements on it.

It is typically calculated based upon its location and upon comparable vacant land sales.

Two Tenets of The Single (Land Value) Tax Theory:

1. Virtually all revenues required to fund local governmental programs and services can and should be raised by a tax on land; and
2. This tax should replace most if not all other taxes

Three Georgist Assumptions:

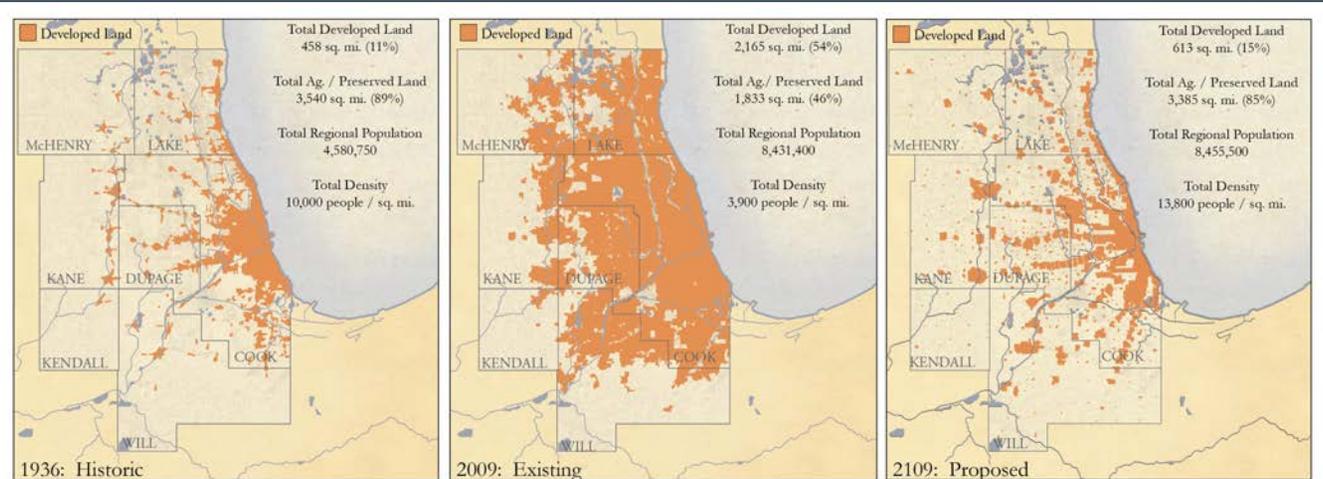
1. Land, being a resource that no human being has created, is properly understood as *common wealth*;
2. Generally, when you tax something you get less of it;
3. A tax on land cannot diminish the quantity of land.

Five Big Questions:

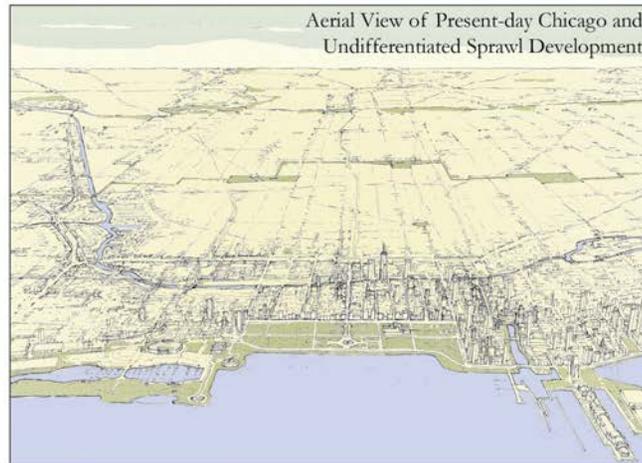
Under a Land Value Tax...

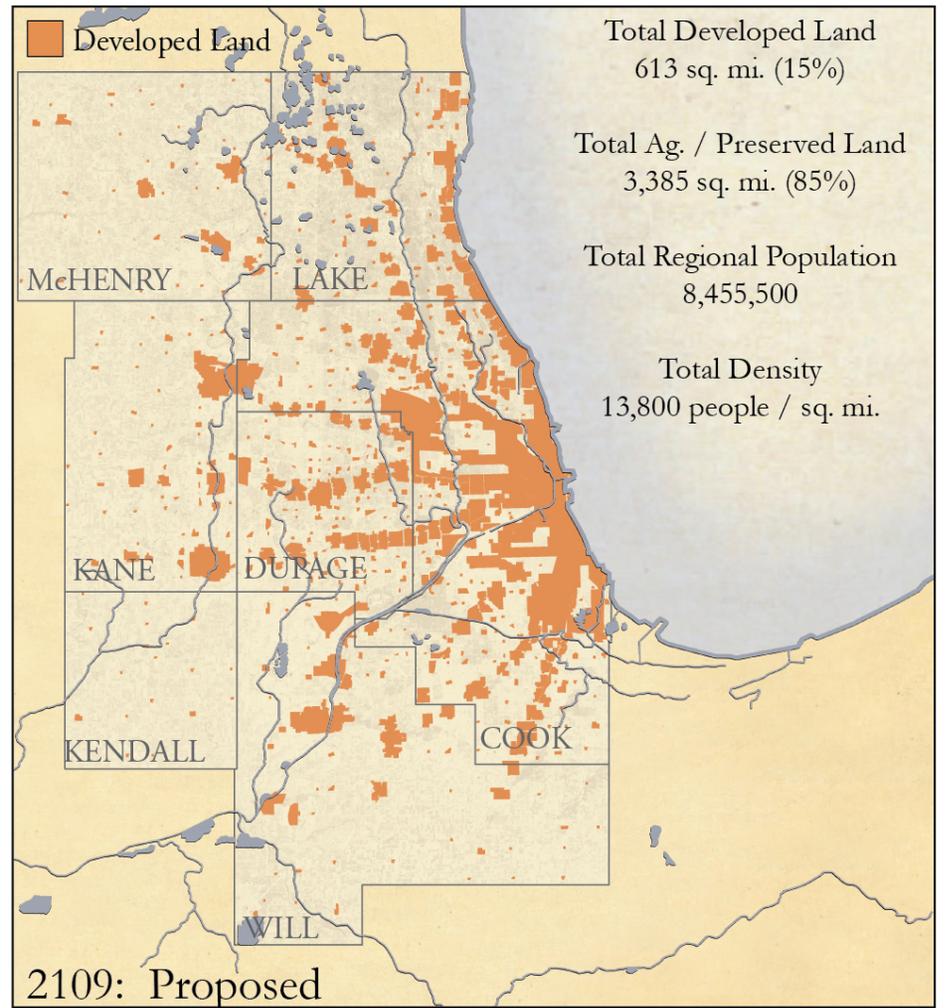
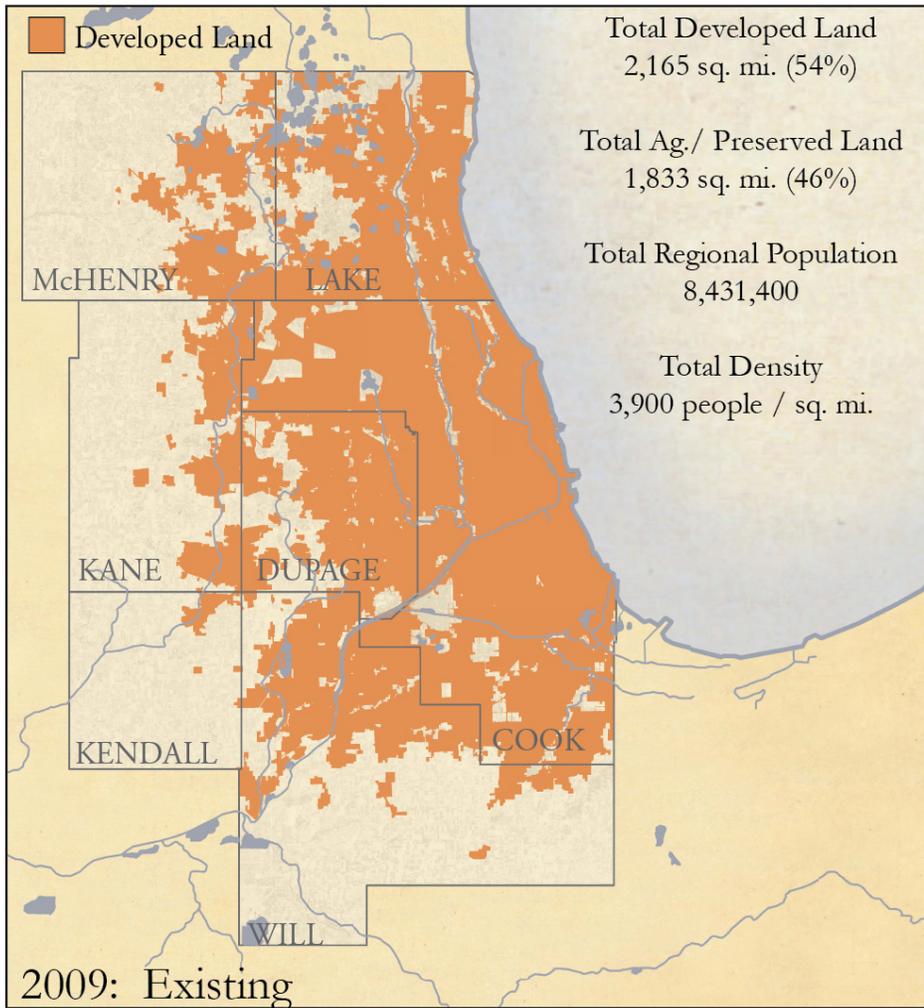
- 1) How might a Land Value Tax be implemented?**
- 2) How much revenue might it raise?**
- 3) What would be the difference (grossly) between Rural and Urban Tax Rates?**
- 4) Who wins and who loses?**
- 5) If I lived in Kane County (Illinois) under a revenue-neutral LVT regime indexed to a form-based code, how much tax would I pay in Kane County's various Tax Zones?**

Metro Chicago Land Use past / Metro Chicago Land Use present / Metro Chicago Land Use future
 (1936) (2009) (2109)



*The Notre Dame
 Plan of Chicago 2109*







Metropolitan Chicago 2109, showing relationship between Land Use (left) and Road and Transportation infrastructure (right)



HAMLET

<40 Acres

Population: 4,800-8,000/Square Mile
Density: 3-5 Dwelling Units/Acre



VILLAGE

40-640 Acres

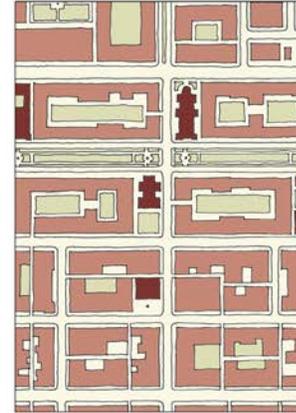
Population: 4,800-12,000/Square Mile
Density: 3-7.5 Dwelling Units/Acre



TOWN

1-4 Sq. Mi.

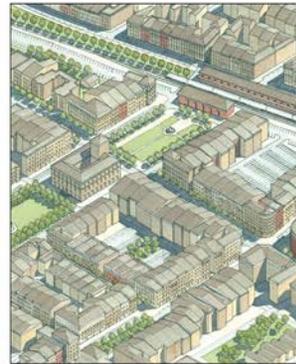
Population: 9,600-20,000/Square Mile
Density: 6-12.5 Dwelling Units/Acre



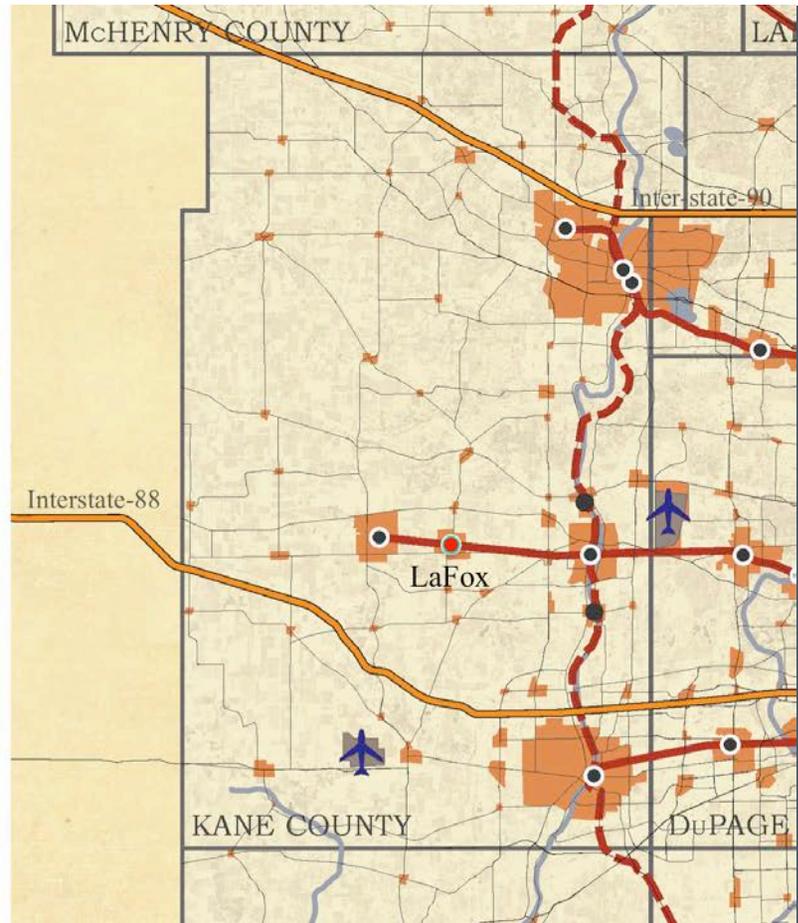
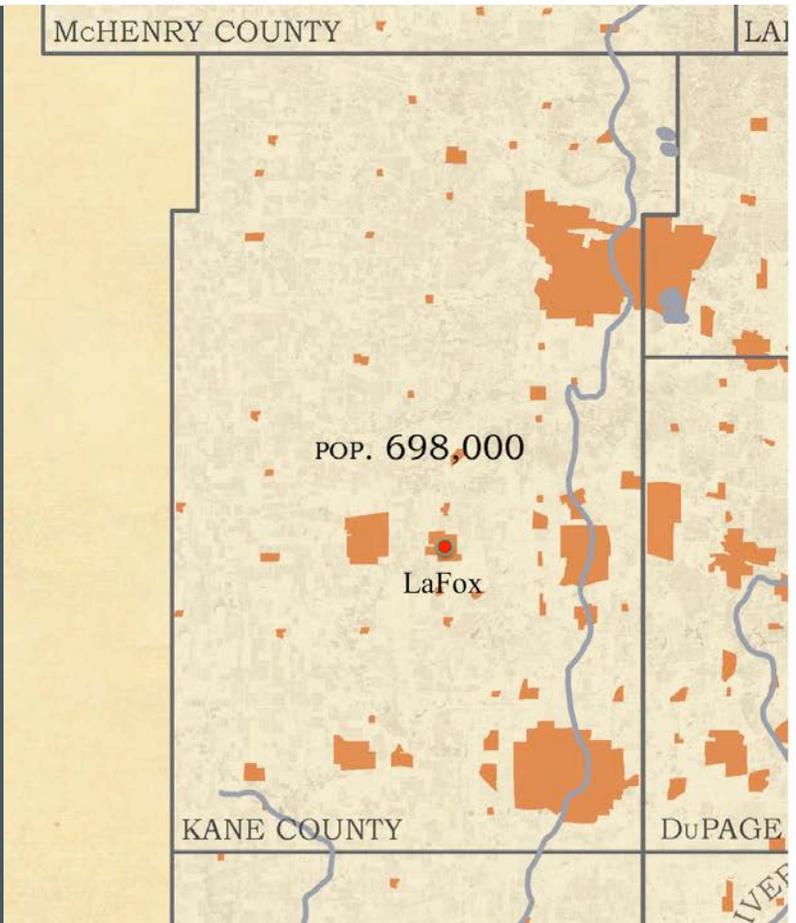
CITY (neighborhood)

> 4 Sq. Mi.

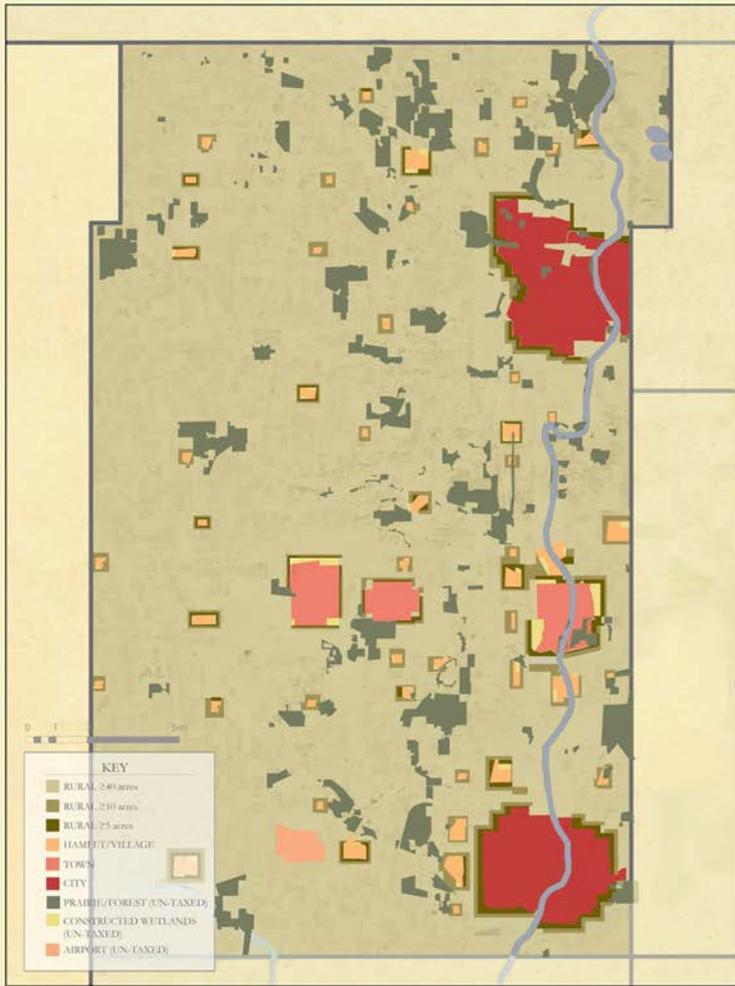
Population: 16,000-40,000/Square Mile
Density: 10-25 Dwelling Units/Acre



Four (4) Kane County Urban Settlement Types (left-to-right, by Area and Density):
Hamlet and Village (w / no rail transit) / Town and City (w / rail transit)



Rural Land & Urban Land: Kane County 2109,
showing relationship between Land Use (left) and Road and Transportation infrastructure (right)



Land Value Tax Proposal for Kane County, IL.

LAND VALUE TAX PROPOSAL FOR KANE COUNTY

TAX PARCEL CATEGORIES	Parcel Category 'S Factor' RATE	Tax Parcel 'S Factor' RATE per ACRE	Parcel Area x TP 'S-F' Rate per Acre x 'S'	Typical Parcel Tax (U.S. \$ / parcel)	
Agriculture	>40 acres A1	1	40.00 13.49	\$ 539.60 (Min)	
	10-40 acres A2	20 times A1	200.00 13.49	\$ 2,698.02 (Min)	
Hamlet/Village	3-10 acres A3	9 times A2	900.00 13.49	\$ 12,141.01 (Min)	
	H/V T3	2 times DI times A3	511.36 13.49	\$ 6,898.56	
Town	H/V T3	H/V T3	340.91 13.49	\$ 4,598.50	
	T3	2 times H/V T4	340.91 13.49	\$ 4,598.50	
City	T3	2 times DI times A3	852.27 13.49	\$ 11,497.26	
	T4	Town T3	568.18 13.49	\$ 7,664.84	
City	T3	2 times Town T4	568.18 13.49	\$ 7,664.84	
	T3	2 times DI times A3	9000	\$ 1136.36 13.49	\$ 18,329.68
City	T4	City T3	852.27 13.49	\$ 11,497.26	
	T5	2 times City T4	1136.36 13.49	\$ 18,329.68	
	T6	2 times City T3	36000	\$ 2272.73 13.49	\$ 30,649.36

*The Density Index (DI) is the typical maximum number of dwelling units/acre in particular settlement types. Here it serves to organize taxation proportional to this density.

'S-Factor' = 1 Land Value Tax Unit
(S-Factor is variable - always calibrated locally)

TYPICAL PARCEL SIZES

Parcel Category	Acres	Typical Parcel Size (Acres)	Typical Parcel Value (U.S. \$)
A1: greater than 40 acres	40,000	40	539.60
A2: 10 - 40 acres	10,000	10	2,698.02
A3: 3 - 10 acres	5,000	5	12,141.01
T3 (H/V)	66	125	8250
T4	44	125	5500
T5	22	125	2750
T3 (Town)	66	125	8250
T4	44	125	5500
T5	22	125	2750
T3 (City)	44	125	5500
T4	33	125	4125
T5	22	125	2750
T6	22	125	2750

Presume the following Taxable Zone Percentages by area:

Zone	Percentage
Hamlets/Villages	20% T3 50% T4 10% T5
Towns	15% T3 35% T4 10% T5
Small Cities	40% Parks/Civic/ROW 10% T3 40% T4 10% T5 5% T6 35% Parks/Civic/ROW

TAX PARCEL CATEGORY	KANE COUNTY TOTALS	REVENUES
	Area (square miles), Area (acres)	'S-Factor' / Acre * land Type Total Area times 'S-Factor' / Acre x \$ = Total Parcel Type Revenues
Agriculture	441.75 282721.09	
A1	419.81 264678.82	1 268678.82 13.49 \$3,624,508.99
A2	14.43 9235.32	20 184710.40 13.49 \$2,491,765.13
A3	7.51 4806.73	180 865215.36 13.49 \$11,671,837.49
Hamlets/Villages	7.12 4555.07	
T3	1.42 911.01	2700 2439738.68 13.49 \$33,182,168.27
T4	3.56 2277.54	2700 8149347.20 13.49 \$82,955,420.68
T5	0.71 4451.15	2439738.68 13.49 \$33,182,168.27
Towns	7.53 4817.15	
T3	1.13 722.37	4300 3251577.60 13.49 \$43,864,166.21
T4	2.63 1686.00	4300 7587014.40 13.49 \$102,349,721.17
T5	0.75 4817.12	9000 4335436.80 13.49 \$58,485,554.95
Cities	24.71 13815.81	
T3	2.47 1581.58	9000 14234227.20 13.49 \$192,021,407.65
T4	9.58 6128.32	9000 54936968.80 13.49 \$748,083,630.59
T5	2.47 1581.58	18000 28468454.40 13.49 \$384,042,815.30
T6	1.24 790.79	36000 28468454.40 13.49 \$384,042,815.30
Parks/parks/const. wetlands	42.892 27450.88	0
Totals	324.00 335360	155649503.14 13.49 \$2,390,000,000.00

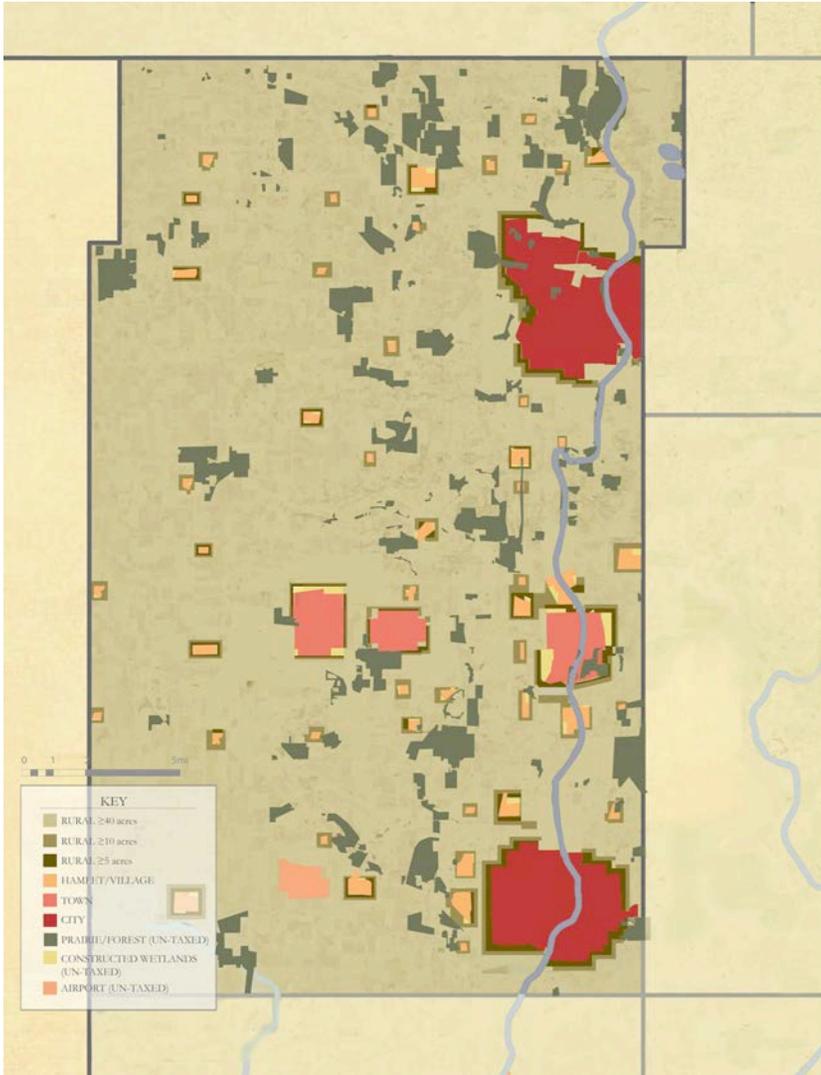
Kane County Budget = \$2,100,000,000
'S-Factor' = 13.49 = 1 Land Value Tax Unit
(S-Factor is variable - always calibrated locally)

Kane County LVT Categories

(S-Factor = 13.49, generating \$2.1 Billion annual revenue in revenue-neutral proposal)

Reserved:

27,451 Acres	\$ 0	T3: 723 Acres	\$ 43.9 M
		T4: 1,686 Acres	\$ 102.3 M
A1: 268,679 Acres	\$ 3.6 M	T5: 482 Acres	\$ 58.5 M
A2: 9,236 Acres	\$ 2.5 M		
A3: 4,807 Acres	\$ 11.7 M	C3: 1,582 Acres	\$ 192.0 M
		C4: 6,326 Acres	\$ 768.1 M
H/V3: 911 Acres	\$ 33.2 M	C5: 1,582 Acres	\$ 384.0 M
H/V4: 2,278 Acres	\$ 83.0 M	C6: 791 Acres	\$ 384.0 M
H/V5: 456 Acres	\$ 33.2 M		



**What's the difference between Rural, H&V, Town, and City
Tax Rates for a \$2.1B Kane County gross budget?**

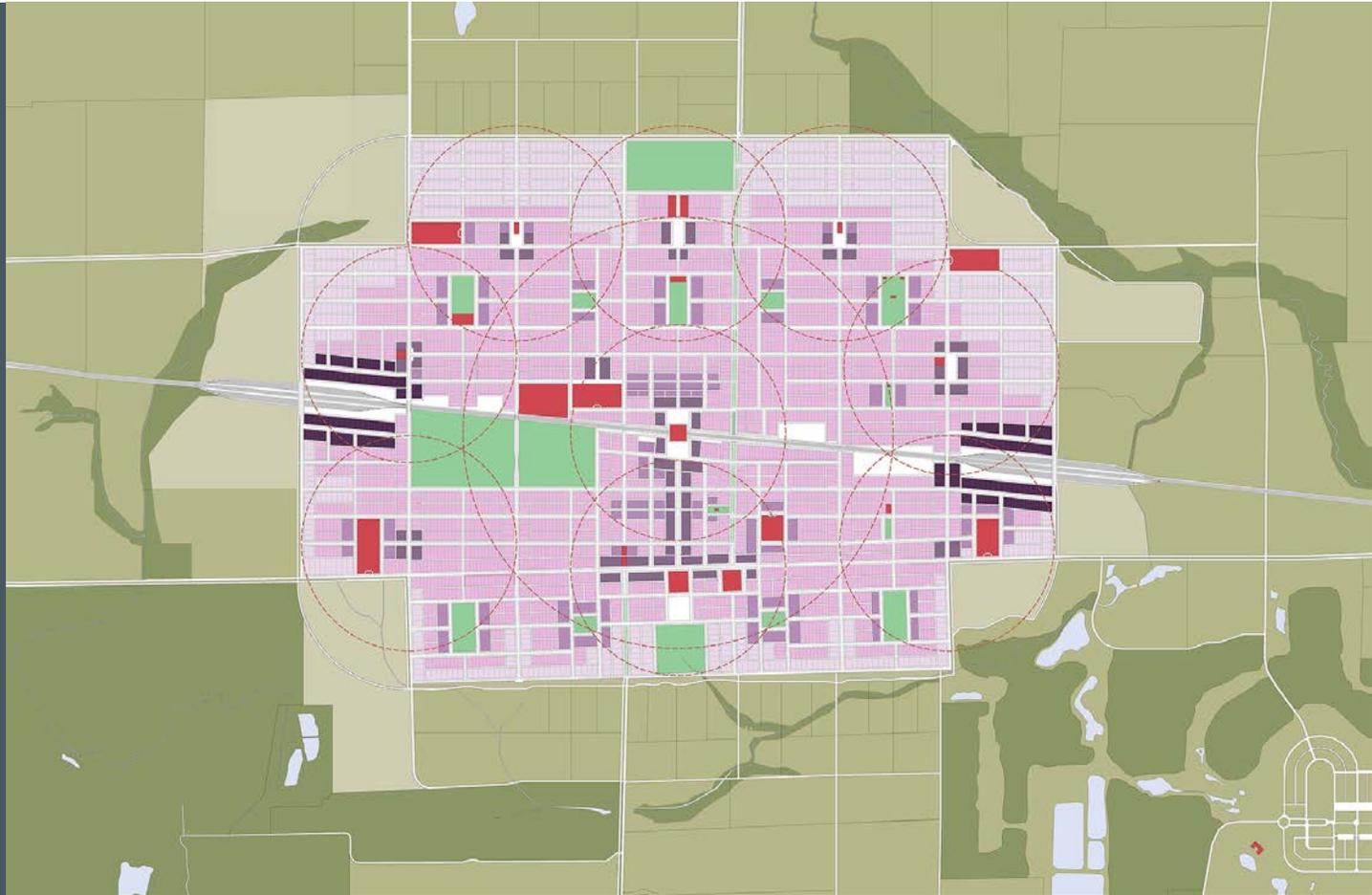
Rural Land = \$ 63 / acre \$ 17,788,132 / 282,721 acres

H/V Land = \$ 40,977 / acre \$ 149,319,757 / 3,644 acres

Town Land = \$ 70,830 / acre \$ 204,699,442 / 2,890 acres

(In LaFox, taxable land is taxed at approximately \$61,045 / acre)

City Land = \$168,112 / acre \$1,728,192,669 / 10,280 acres



LaFox, Illinois Regulating Plan

LA FOX Rural-to-Urban Transect Zones



T3 Sub-Urban		Permitted Building Types	Detached Single Family Ancillary Building
		Typical Lot Width	66'
		Typical Front Build-To	20'
T4 General Urban	T4.1	Permitted Building Types	Detached Single Family Duplex 2-4 Flat 6-Flat (corner lots only) Ancillary Building
		Typical Lot Width	44'
		Typical Front Build-To	15'
	T4.2	Permitted Building Types	Detached Single Family Duplex 2-4 Flat 6-Flat (corner lots only) Ancillary Building
		Typical Lot Width	33'
		Typical Front Build-To	15'
T5 Urban Center	T5.1	Permitted Building Types	Rowhouse Ancillary Building
		Typical Lot Width	22'
		Typical Front Build-To	3'
	T5.2	Permitted Building Types	Mixed Use
		Typical Lot Width	22'
		Typical Front Build-To	0'
SD Special District		Permitted Building Types	Warehouse Industrial Loft Manufacturing Works Production Shed
		Typical Lot Width	Varies
		Typical Front Build-To	0'

LaFox, Illinois Transect Zones and Permitted Building Types



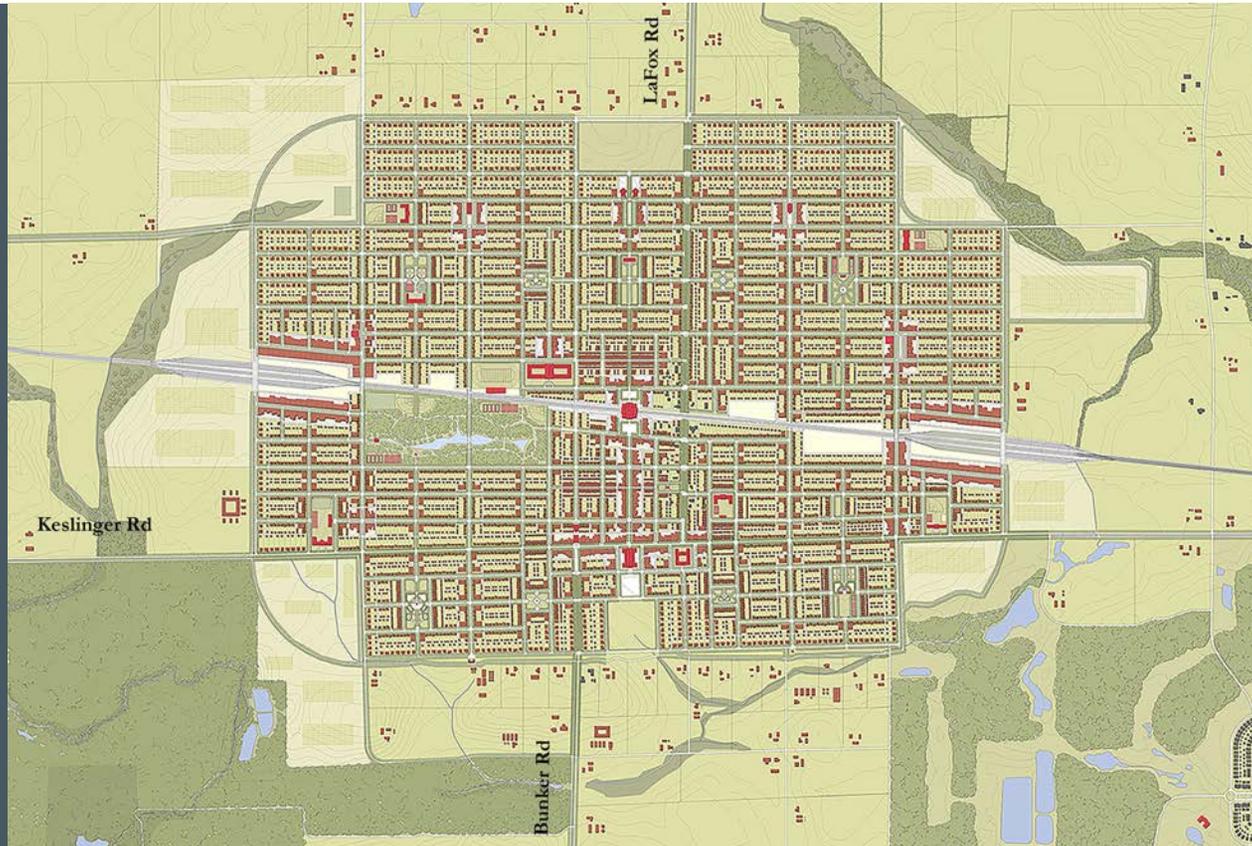
Neighborhood Plaza and Library / LaFox, Illinois 2109



Town Center / LaFox, Illinois 2109



LaFox, Illinois Aerial View, looking South



LaFox, Illinois 2109 Master Plan (conjectural build out)

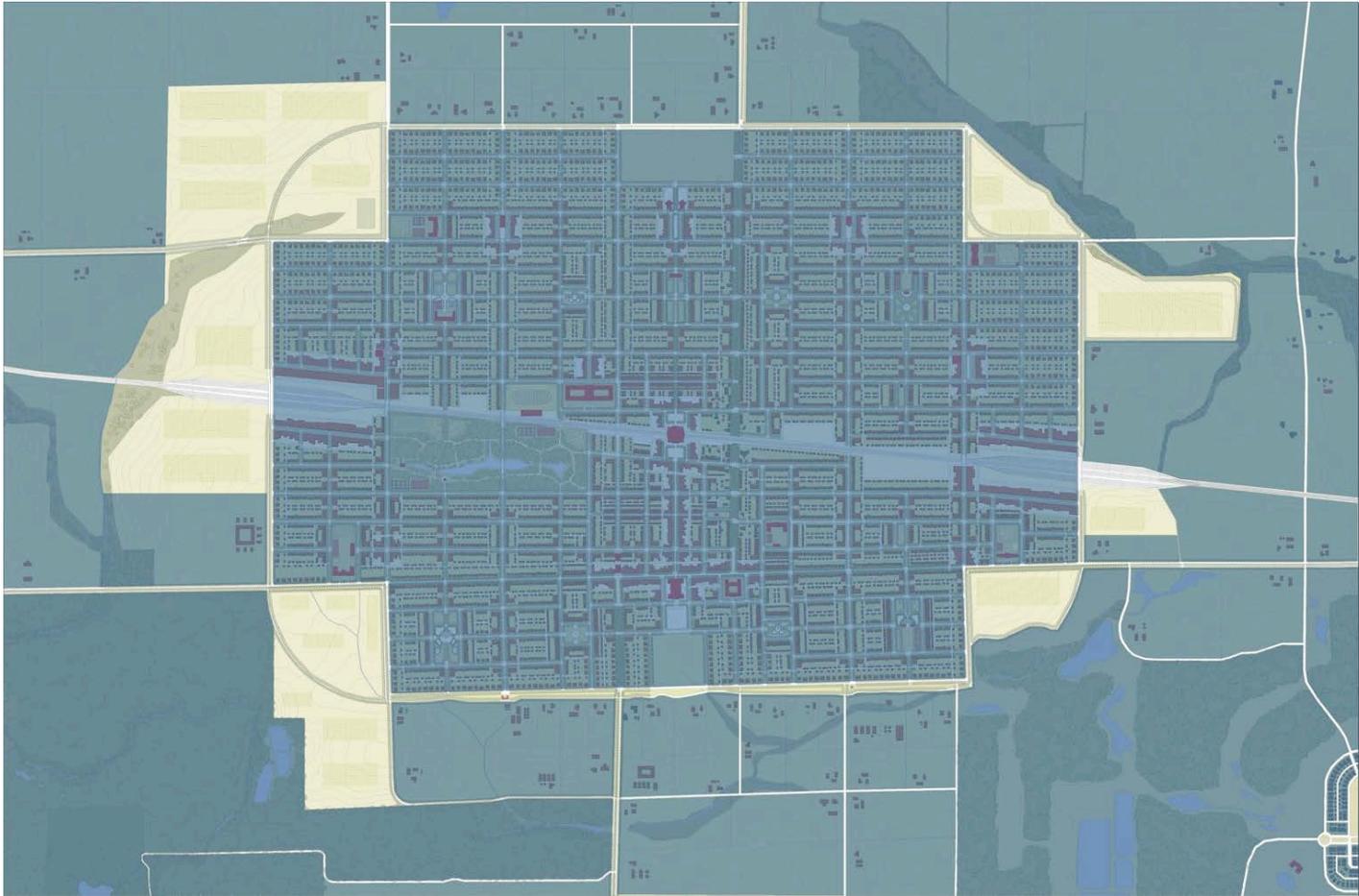
TOWN of LAFOX and ENVIRONS

Tax Category	Total Sq.Ft.	In Acres	Rate	Rate x S-Factor 13.49	Total Annual Parcel Type Revenue
			LaFox Town Land		
T3 - Neighborhood	6,854,000	157.3	4500	60705	\$9,548,896
T3 - Special district	1,167,038	26.8	4500	60705	\$1,626,894
T4	19,934,143	457.6	4500	60705	\$27,778,608
T5	1,314,035	30.2	9000	121410	\$3,666,582
Total Taxed LaFox Land	29,269,216	671.9			\$42,620,980
Total Untaxed LaFox Land	23,968,105	550.2			
Total LaFox Land	53,237,321	1222.1			
			Agrarian Land*		
A1*	67,285,529	1544.7	1	13.49	\$20,838
A2*	12,167,156	279.4	20	269.8	\$75,382
A3*	10,433,450	239.5	180	2428.2	\$581,554
Total Taxed County Land*	89,886,135	2063.6			\$677,774
Total Untaxed County Land*	21,071,786	483.7			
Total County Land*	110,957,921	2547.3			
*(limited to LaFox surround)					



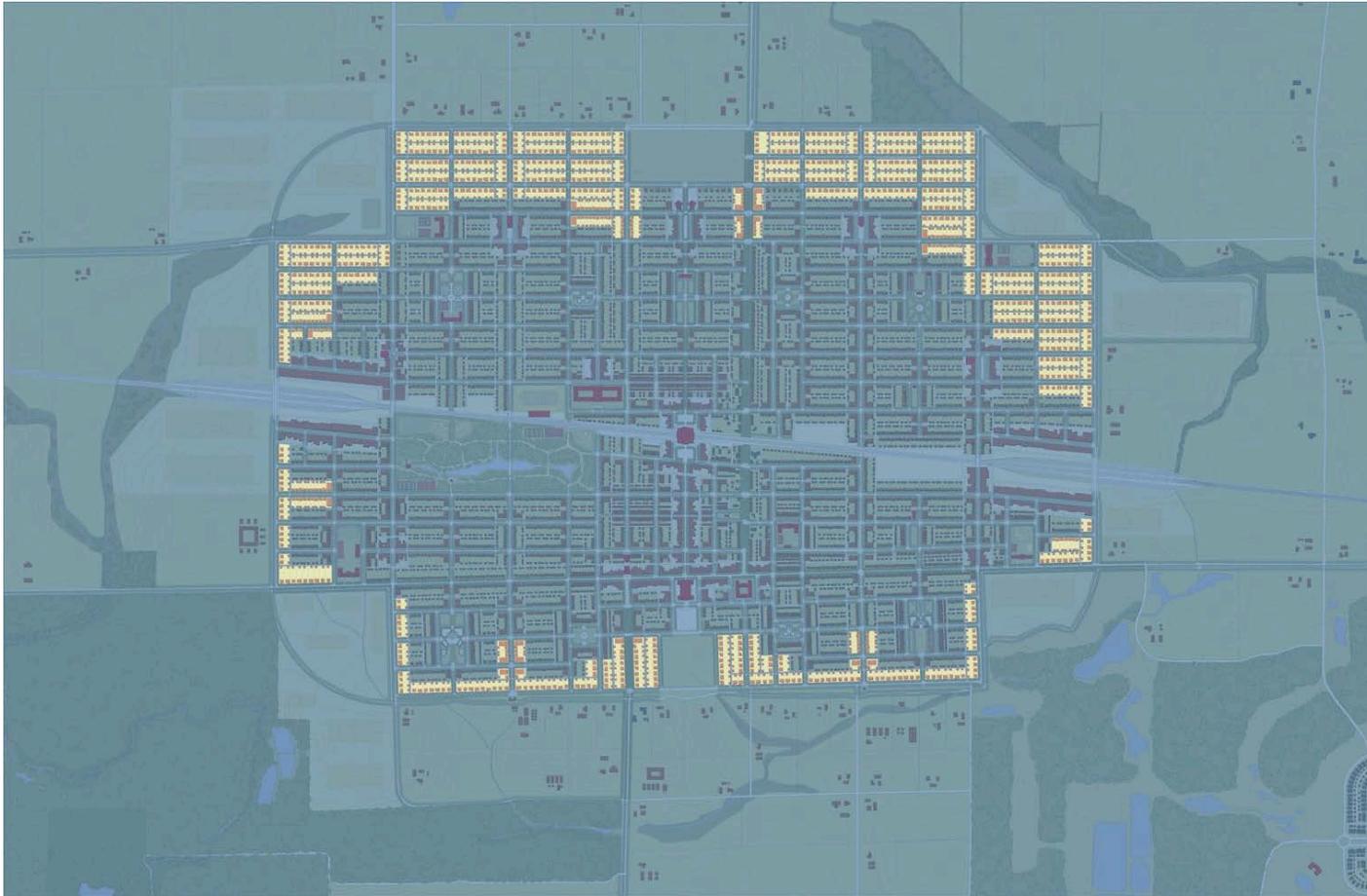
550.3 Acres (in Town)

Town of LaFox Untaxed Land



483.7 Acres

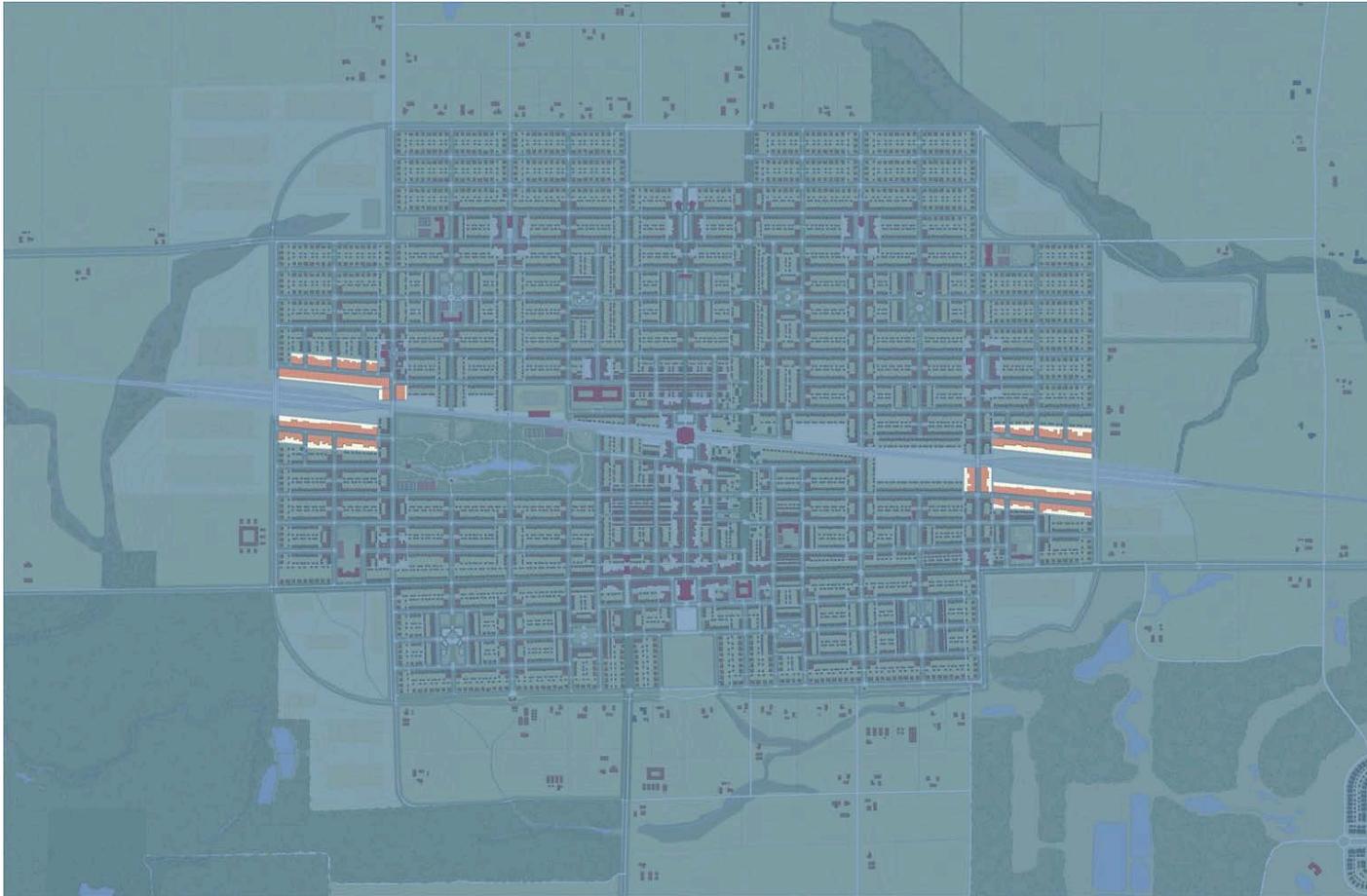
Kane County Untaxed Land (Constructed Wetlands Wastewater Treatment for Town of LaFox)



157.3 Acres

Total Tax Revenue:
\$9,548,896.50

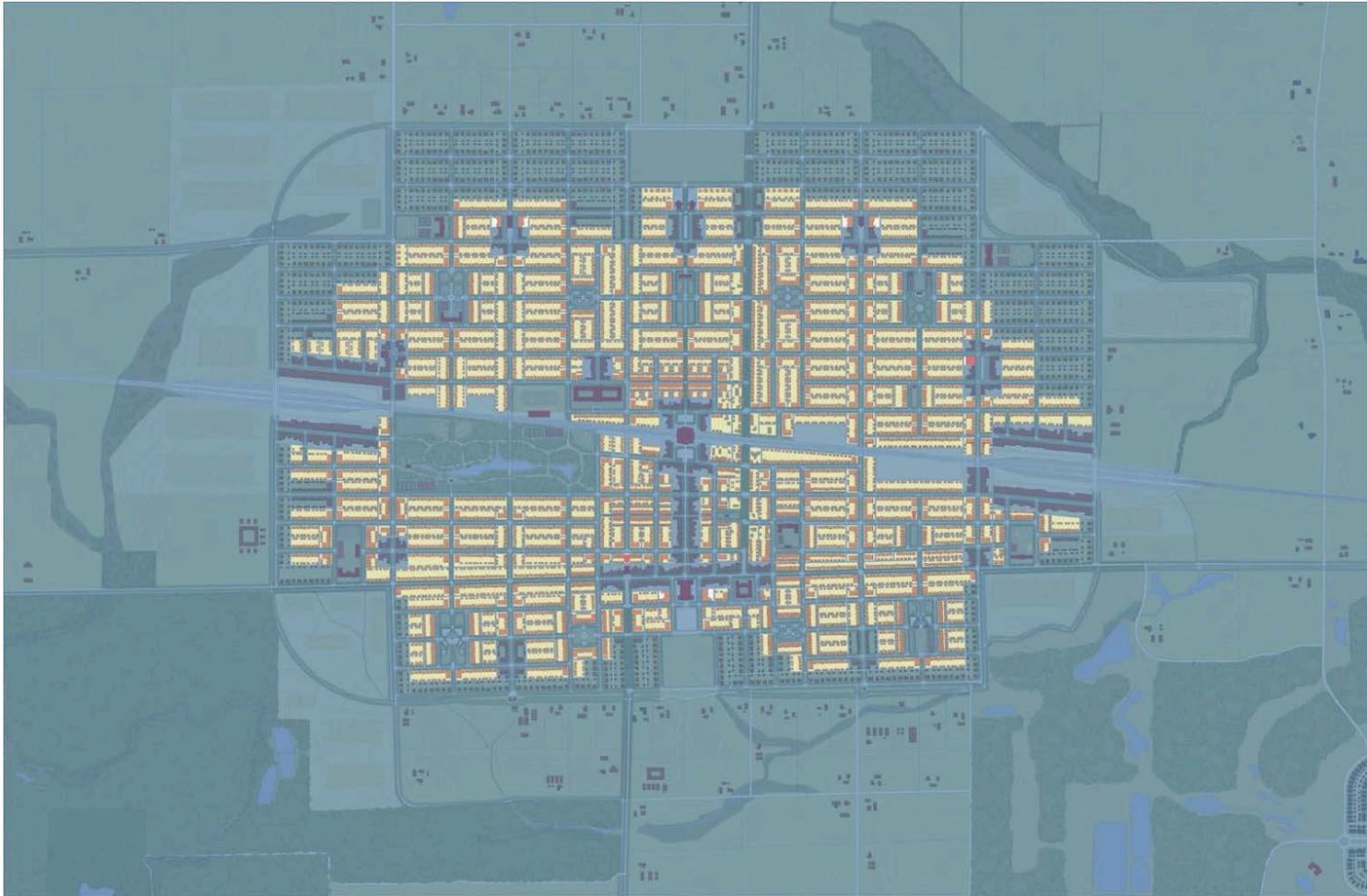
Town of LaFox - T3 – Neighborhood / Larger Residential Lots / Tax Rate per Acre = 4500 x S-Factor (13.49)



26.8 Acres

Total Tax Revenue:
\$1,626,894

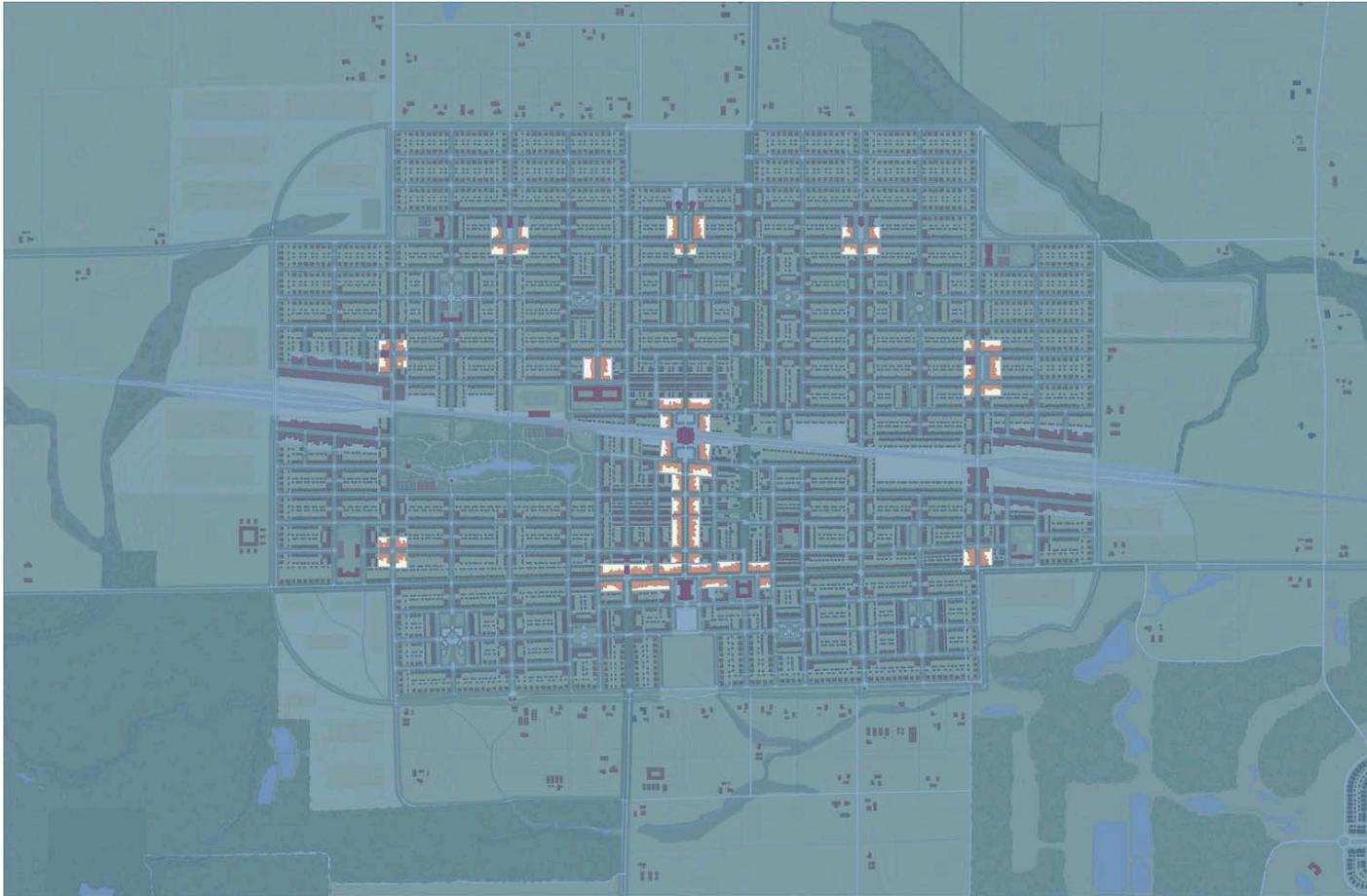
Town of LaFox - T3 - Special District / Manufacturing & Mixed-Use / Tax Rate per Acre = 4500 x S-Factor (13.49)



457.6 Acres

Total Tax Revenue:
\$27,778,608

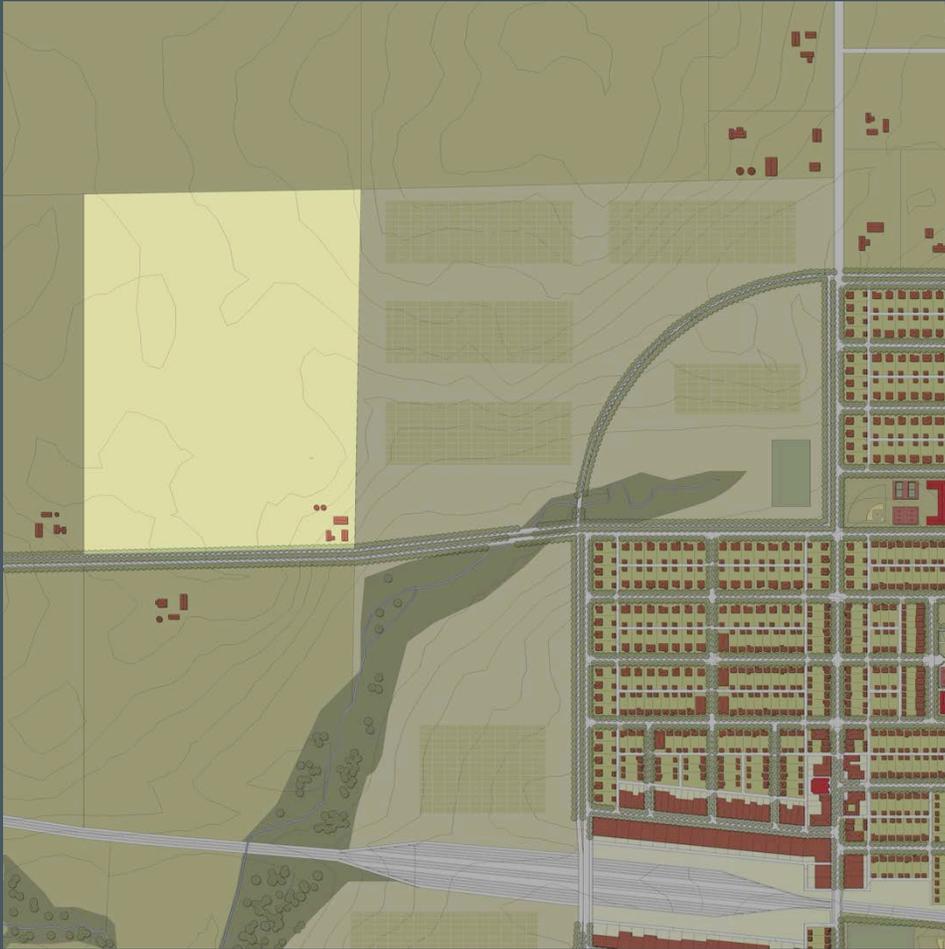
Town of LaFox - T4 / Smaller Residential Lots / Tax Rate per Acre = $4500 \times \text{S-Factor} (13.49)$



30.2 Acres

Total Tax Revenue:
\$3,666,582

Town of LaFox - T5 / Mixed-Use Lots / Tax Rate per Acre = 9000 x S-Factor (13.49)



Agrarian (A1) Parcel

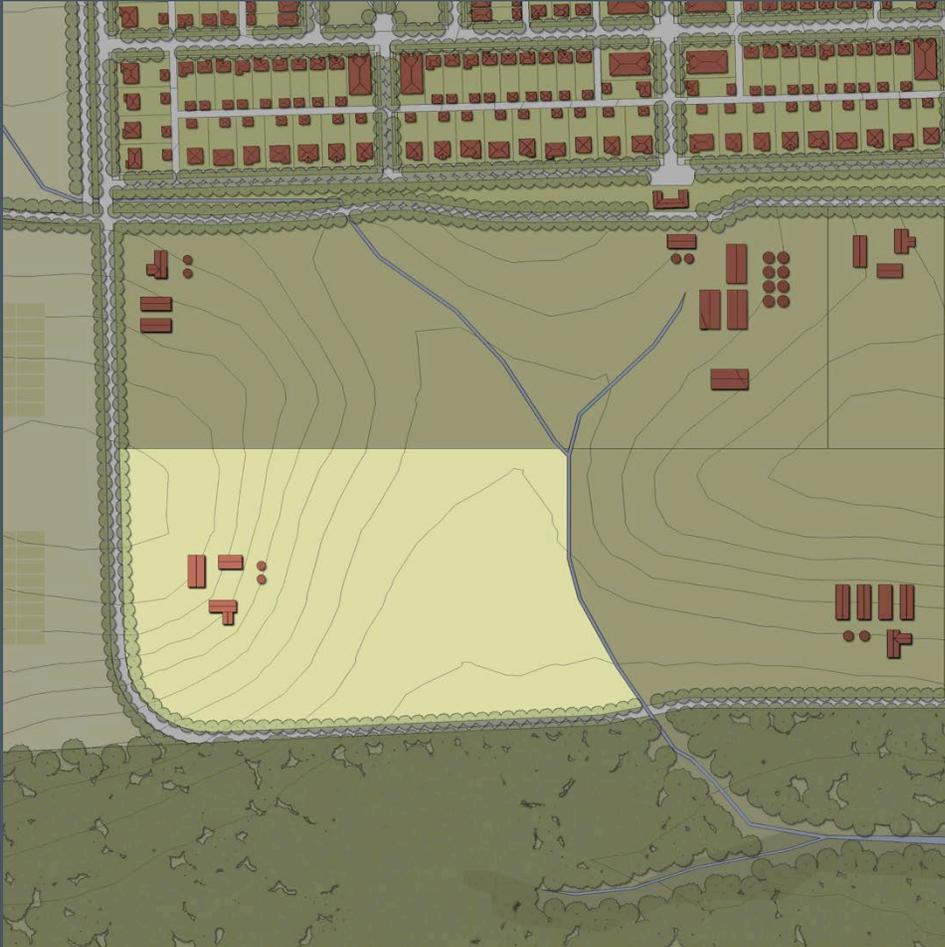
A1 Tax Rate: 1

Tax per acre: $1 \times 13.49 = \$13.49$

Parcel Size: 62.4 acres

(A2) 62.4 acre parcel: \$841.78





Agrarian (A2) Parcel

A2 Tax Rate: 20

Tax per acre: $20 \times 13.49 = \$269.80$

Parcel Size: 16.9 acres

(A2) 16.9 acre parcel: \$4,559.62





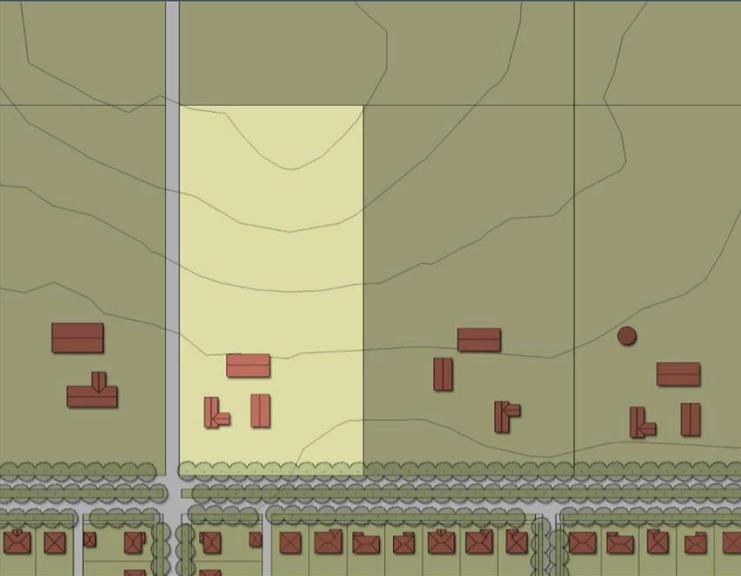
Agrarian (A3) Parcel

A3 Tax Rate: 180

Tax per acre: $180 \times 13.49 = \$2,428.20$

Parcel Size: 5 acres

(A3) 5 acre parcel: \$12,141





H/V (T3-Neighborhood) Lot

T3 Tax Rate: 2700

Tax per acre: $2700 \times 13.49 = \$36,423$

Lot Size: $66' \times 124' = .188$ acres

(T3) .188 acre lot: \$6,847.52





Town (T3-Neighborhood) Lot

T3 Tax Rate: 4500

Tax per acre: $4500 \times 13.49 = \$60,705$

Lot Size: $66' \times 124' = .188$ acres

(T3) .188 acre lot: \$11,412.54





City (T3) Lot

T3 Tax Rate: 9000

Tax per acre: $9000 \times 13.49 = \$121,410$

Lot Size: $44' \times 124' = .125$ acres

(T3) .125 acre lot: \$15,176.25





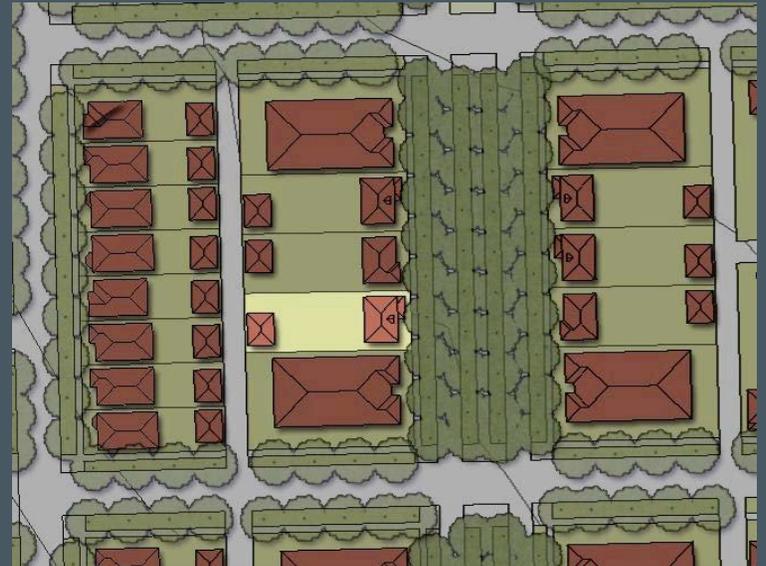
H/V (T4) Lot

T4 Tax Rate: 2700

Tax per acre: $2700 \times 13.49 = \$36,423$

Lot Size: $44' \times 124' = .125$ acres

(T4) .125 acre lot: \$4,552.88





Town (T4) Lot

T4 Tax Rate: 4500

Tax per acre: $4500 \times 13.49 = \$60,705$

Lot Size: $44' \times 124' = .125$ acres

(T4) .125 acre lot: \$7,588.13





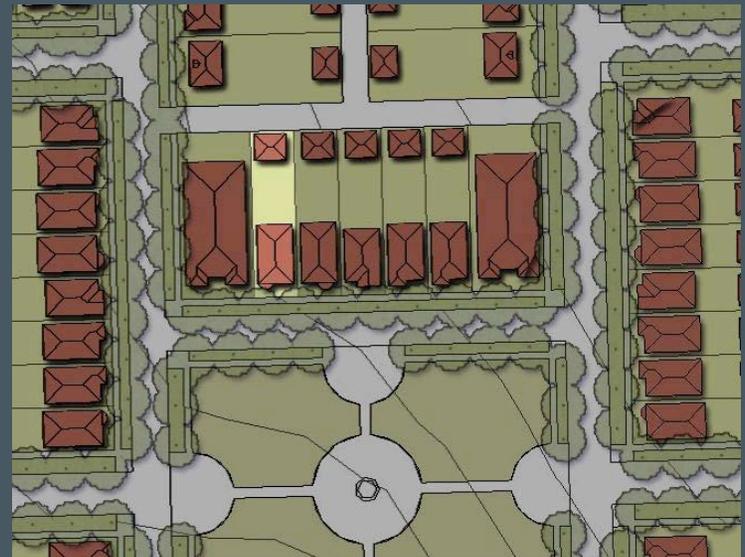
City (T4) Lot

T4 Tax Rate: 9000

Tax per acre: $9000 \times 13.49 = \$121,410$

Lot Size: $33' \times 126' = .095$ acres

(T4) .095 acre lot: \$11,533.95





H/V (T5) Lot

T5 Tax Rate: 5400

Tax per acre: $5400 \times 13.49 = \$72,846$

Lot Size: $22' \times 123' = .062$ acres

(T5) .062 acre lot: \$4,516.45





Town (T5) Lot

T5 Tax Rate: 9000

Tax per acre: $9000 \times 13.49 = \$121,410$

Lot Size: $22' \times 123' = .062$ acres

(T5) .062 acre lot: \$7,527.42





City (T5) Lot

T5 Tax Rate: 18000

Tax per acre: $18000 \times 13.49 = \$242,820$

Lot Size: $22' \times 123' = .062$ acres

(T5) .062 acre lot: \$15,054.84





City (T6) Lot

T6 Tax Rate: 36000

Tax per acre: $36000 \times 13.49 = \$485,640$

Lot Size: $22' \times 123' = .062$ acres

(T6) .062 acre lot: \$30,109.68



Land Value Taxation and the Post-Liberal Economy

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as Common Good Practical Politics in Kane County, IL