

Report of the CGO Conference 2011¹ **“The Henry George Theorem at Work”**

1. The annual conference of the Council of Georgist Organisations (CGO) was held August 2-6 in Minneapolis MN. It was co-sponsored by the Humphrey School of Transportation Studies, University of Minnesota, as well as by the Robert Schalkenbach Foundation. Some 65 participants (speakers, delegates, other registrants and guests) attended over the four days, representing most of the 33 CGO member organisations. Although no delegate was officially representing Lincoln Institute, several past and present David C. Lincoln Fellows in LVT and others who have been associated with the Institute were taking part, including the writer.
2. CGO's only function is to organise an annual conference and maintain a register of organisations that are – or might wish to be – members. Since the CGO Conference is always in North America, CGO's membership is heavily skewed towards, although not officially limited to, that continent. Only four attendees were from outside N. America, all of them from England.
3. This report does not aim to be comprehensive and only covers those sessions attended by the writer which he believes to be of interest to Lincoln Institute. It specifically leaves out the CGO business session which, as a non-member of CGO, the writer could not attend.
4. The theme of this year's conference was the Henry George Theorem, summarised as the hypothesis that any useful infrastructure project can be financed by the land value which it will create (or release). However only on the first day were the sessions primarily about transport related matters or the windfall profits accruing to land owners from nearby publicly funded infrastructure. The full programme can be found on CGO's website at <http://cgocouncil.org/conf11.htm>

Windfall Profits to Landowners: Capitalisation of Subsidies into Land Prices

5. **Jerry Zhao** spoke about “the good, the bad and the ugly” aspects of China's policies on land value capture. Because land leases are generally for 70 years, there is a huge accrual of land value to leaseholders. Also much corruption is evident: leases are often obtained by those well connected to local officials, whose careers are closely linked to their ability to assign the ‘right’ people those leases. The policy does ensure that ‘prestige’ urban infrastructure projects are adequately funded by the upfront lease payments (as in Hong Kong) but starves rural areas and builds up a future problem funding ongoing public investment. There is a need to introduce annual property taxes to recover land rent and pay for improvements in services. Ideally the

¹ This report is prepared by Dr Tony Vickers, Hon Sec of the [Professional Land Reform Group](#) (UK) for Joan Youngman of Lincoln Institute of Land Policy, who offered to contribute towards the author's expenses in return for a report on the proceedings.

land leases should be converted to annual payments based on periodic revaluation.

6. **Dave Wetzel** spoke about his experience as Vice Chair of Transport for London during the period of Mayor Ken Livingstone's introduction of a Congestion Charge (2000-2008). He set out some useful lessons for other cities considering similar schemes, such as not to consult the public on the principle but only on the detail, after gaining an electoral mandate.
7. **Lee Munich** (not this writer, as the programme says) spoke about the prospects for congestion charging and road pricing in the US – especially Minnesota – drawing on experiences of London and elsewhere. Like Wetzel, he had served as both an elected and appointed city official with transport responsibilities. Munich is now Director of the State and Local Public Policy Programme at Humphrey School.
8. During the panel discussion, the subject of on-street parking charges came up and Schoup's seminal work on the subject was recommended.

The Potential for Value Capture from Transit-Oriented Development

9. **Adeel Lari**, formerly with MN State Transportation Dept. and now Director of Innovative Financing at Humphrey School, described the range of value capture policy tools available, such as Special Assessment Areas and TIFs.
10. This writer described how he came to be interested in the mapping of land values, through studying the impact of the Jubilee Line Extension of London's underground railway system (published as a 2004 Lincoln Working Paper). His current work is for UN-HABITAT's 2013 Report on Human Settlements, which has the theme Urban Transportation Systems. A Delphi Survey he has just completed for Professor Harry Dimitriou of University College London (author of the chapter in the Report on urban transportation planning) affirms the near-unanimous agreement of experts that land value capture is an appropriate and sufficient instrument for financing these projects.
11. There is less agreement on whether to use LVC for financing operating costs, also on how to design and implement the value capture measures. The main problem lies in identifying the geographic area of influence of individual projects and assigning a proportion of any value change to the project site-by-site. Better to adopt land value taxation, which obviates the need to assign value to any project and ensures capture of land rent from all urban development. A property tax based on frequent and accurate assessments is often the most practical measure.

Economic, Ethnic and Racial Divides in the US Economy

12. Professor **Myron Oldfield** drew on Central Place Theory to analyse, by means of various detailed maps of aspects of Twin Cities' socio-economics, the anomalous picture as regards areas dominated by poor

minority ethnic populations. Is the depressed land value in these areas a cause or an effect of their racial identity? There is some evidence that areas with poor transport connections exhibit mixed, unstable demography and low land values. Do improvements in transport lead to gentrification and drive out the poorer communities, or do they benefit the existing residents? Does the answer depend on the method used to finance the projects, i.e. the tax system?

13. Prof Oldfield's talk stimulated a lively discussion, firstly among panellists Jeff Smith, Rick Rybeck and Jim Erkel, then by the audience. It was felt that persistent, illegal racial discrimination among public officials and realtors was as much the cause of ghettoisation as any anomaly in Central Place Theory or in choice of economic/fiscal policies.

Solving Finance Challenges for State and Local Government Through Public Collection of Land Rent

14. **Jay Kiedrowski**, a former MN Commissioner of Finance now senior fellow at Humphrey School, analysed the demographic and fiscal trends in Minnesota and drew ominous conclusions about the sustainability of the current tax system. He believes it is essential to increase the revenue from property tax, to compensate for inevitable reductions in yield from payroll and income taxes. The recent crisis in state budgeting – like that at Federal level and in other US states – has merely solved the short-term problem, not tackled the cause. Kiedrowski has always supported the Georgist analysis.
15. **Frank Walker**, a San Diego attorney, described the California Tax Reform Initiative (TRI), which he is preparing to put on the ballot at the next available state-wide election. This is an extremely radical measure, which would see abolition of corporation and sales taxes and huge reductions in income tax, benefiting the vast majority of voters. The main revenue source would be annual land rent (at 75%), not property taxes. This circumvents Proposition 13, which has prevented CA for 20+ years from extracting more revenue from rent and has led to severe budget deficits as well as public services cuts.
16. **Ted Gwartney**, who has been working with Walker on the data behind the tax reform proposals, said that CA routinely undervalues land in its assessments, yet the splits still show a very high proportion of value is in land sites as distinct from improvements on them, in both Los Angeles and San Francisco. He pointed out that the main industries in urban CA are not major land users and that much land is foreign owned, which could mean the reforms meet less effective political opposition. Nevertheless he estimates any campaign to win the ballot needs at least \$9m.
17. The proposals involve a high tax-free allowance (\$150k per taxpayer) on personal income tax. Any land rent paid to the state could be set against remaining income tax due, leaving only the highest 5% of earners, living on the most valuable sites, paying any personal taxes. Seniors would be able to defer any land rent liabilities, with interest.

The figures consciously produce a large budget surplus, because CA has huge debts to pay off. The TRI Proposition would seek to prevent the Legislature from reversing the reforms, by making it unconstitutional to introduce any new taxes.

Taking Land out of the Market: Economic Potential of Community Land Trusts

18. Three leading practitioners of Community Land Trusts in MN (Teresa Vanderbelt, Janet Lindbo and Jeff Washbourne) described how these work and what current problems they face in current depressed housing and employment market conditions. **Rich Nymoen**, a local community activist associated with CLTs, moderated the session and introduced it with a mention of a recent Land Lines article on the subject.
19. **Mike Curtis**, long-time resident and trustee of Arden DA (a small 110-year-old suburban community run on Georgist lines) contrasted the modern CLT with his own community.
20. The session was of considerable interest to the writer, since the UK Government is currently legislating for an increased role for the currently very immature CLT movement in England & Wales. As a housing spokesperson for the minority party in his own West Berkshire Council, he was interested to learn how CLTs in MN operate very differently to those in England, often taking on renovation of single properties across a dispersed area, whereas in England CLTs are almost exclusively for new-build compact sites that are acquired through benefactors or local councils and established as cooperatives.
21. A factor common to UK and US was the need to achieve sufficient scale of operation to be capable of becoming self-funding and hence escape restrictions on use of their land value equity as collateral for further purchases or for funding home-owner support services, which currently depend on grants from ever-diminishing public and charitable sources.

Dr Tony Vickers, Hon. Sec., Professional Land Reform Group, UK
www.plrg.org e: tonyvickers@phonecoop.coop