

# Erich the Green

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## Transit can pay its own way with Land Value Capture



Imagine a new streetcar or subway line were built and extra money started magically appearing in cash registers of businesses along it; along the route, especially at stops, landlords suddenly got a cash bonus with their monthly rent cheques. Meanwhile, businesses along this line saw costs drop because they needed to provide less parking for employees and customers even as employee retention and sales traffic went up, further boosting bottom lines.

If all this were clearly marked as coming from the transit service, which the government paid to install and run, would it be fair for businesses or landlords to pocket that cash? Would it make more sense for that free extra money to be collected by the government that created it? Of course it would, and doing so would let transit pay for itself without expensive taxpayer subsidies.

This approach is called [Land Value Capture](#) (LVC), and is how Ontario should finance [improvements in transit](#). The beauty of LVC is that it doesn't increase anyone's real tax burden at all, it just reclaims some of the extra revenue public infrastructure creates from the landowners who didn't do anything to earn it.

How would it work? The existing market value property assessment system could track how much prices of land near new transit rose beyond normal property value rise. That extra increase would clearly be the result of the improved transit, and be recaptured through a surtax on the extra land value.

Landowners along that route would already be charging higher rents to businesses or residents reflecting improved access to these sites, normal practise in a market

economy like ours. But instead of pocketing extra unearned rent, landowners would remit most of it as an LVC surtax. There would be no extra tax burden on the businesses or families renting those properties, and landowners would still keep the basic rent they were already charging before the increase.

People living in their own house or condo would have the option of deferring all of their LVC until they eventually sold the property; accumulated LVC would add up to less than the rise in their land value since the transit was improved. Thus they would still keep all the value they had invested in their property, and even pocket the general increase not due to transit. If, for some reason, their property's market value stayed flat or went down, there would be no LVC assessed, as there would be no extra value to capture.

Sadly, the province is [leaning towards a gas tax](#) of 10 cents per liter. While I believe energy prices are too low, any increase should be used to reduce job-killing taxes like HST or payroll taxes, not to increase overall spending and taxation.

Transit should be financed by those who benefit financially from it, the landowners along or near the transit route, not by taxing everyone near and far. The purpose of transit is to move people along it, but if we go the gas tax route (or increase HST, another proposal) we'll be moving money from the general taxpayers into the pockets of privileged landowners!

Land value capture was [mentioned in Ann Golden's Transit Panel report](#) and I know Ontario's [Transport Minister, Glen Murray](#), is familiar with it from when he proposed land value taxes as Mayor of Winnipeg. I can't imagine why he isn't championing it now, so transit can pay for itself instead of putting the burden on all regardless of benefit. There is still time before the province [finalizes plans in the spring](#); I hope they seriously reconsider using LVC to finance transit from unearned income instead of the tax dollars of hard-working Ontarians.

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