

Dear Senator Grohoski, Representative Cloutier, and Honorable Members of the Joint Standing Committee on Taxation,

Split rate tax will empower municipalities to get the most out of their public infrastructure investments and distribute taxes fairly. Shifting towards a land value tax will encourage denser housing in areas with the infrastructure to handle it and pass more of the cost for public infrastructure onto the property owners that benefit most directly from it.

An emphasis on land value tax can encourage development because building more units on the same piece of land will not increase the tax burden as much as it does under our current system. This creates a natural incentive to build more housing on more valuable land and a disincentive to hold onto vacant land in valuable places that people want to live. Things like road access, sewer access, and proximity to transit are major factors in determining land value. Places with these amenities are exactly where we should be building housing because they can best accommodate this growth and they don't require towns to build as much new infrastructure. Over time this can lower the tax burden on towns because every road, sewer line, and bus serves more people.

One of the most powerful examples of how this can work is transit. Buses have a lot of costs that don't scale directly with the number of riders. Providing transit service to a piece of land makes it more valuable resulting in a higher land assessment. With more emphasis on land value tax, this will encourage denser housing near this transit service. The additional housing provides more riders for the transit which can justify more frequency, which makes the transit service even more valuable. This is a virtuous cycle that encourages denser housing near more frequent transit over time. This principle is already reflected in state law in the form of Transit-Oriented Development Districts. These districts allow for assessing the value of transit onto nearby land to pay for the transit service. These districts have been used effectively in Portland, Westbrook, and Falmouth, to name just a few municipalities. However, each one must be manually set up which requires administrative overhead. An emphasis on land value tax would make it easier for towns to benefit from this.

In this way the land value tax is fair. If a private landowner is going to have their property get more valuable because of something the city has done then they will pay for a bigger share of it, directly proportional to the value they are getting. It can allow municipalities to provide services

that might benefit some places more than others without unfairly increasing the tax burden on the entire town.

Land value tax can also encourage more compact development that protects our open spaces from sprawl. It encourages more new housing to be built in a more compact, sustainable way in areas that are more developed already.

What is so powerful about LD 1464 is that it gives towns options while still applying the same fair rules to every piece of land. Everything I have described here is one path a municipality may choose but it is still up to the towns how much or how little they may want to try this. As we face a difficult budget year at both the State and Local level as well as a housing crisis, these are the options our towns need right now and I hope you will pass this bill.

Sincerely,

Robert Todd Morse

Portland

President, Urbanist Coalition of Portland