



WHITE PAPER

Land Value Taxation

How shifting property taxes from buildings to land affects development, housing and public revenue in Minnesota communities.

2026 Update

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Introduction

Property taxes are a significant and rising burden for households and businesses across Minnesota. This white paper examines a tool that can help relieve that burden in places where communities have already invested in infrastructure: land value taxation. Land value taxes (LVT) shift property taxes from improvements (buildings) to land, thus reducing the tax burden of improving land and the incentive for land speculation. By raising the holding cost of underused, well-resourced land and removing the tax penalty on improving it, a land value tax encourages development that broadens the local tax base near existing streets, sewer, water, parks, and transit, thus spreading the cost of that infrastructure across more taxpayers and easing rate pressure on existing residents.

The intent of a land value tax is to increase job and housing opportunities through development, improve the financial stability of local governments, and bolster the efficient and effective use of infrastructure investment.¹ In a land value tax district, landowners with the greatest incentive to develop are those who own undeveloped or under-developed land near high-quality infrastructure. High-quality infrastructure increases land value and therefore land value taxes. A land value tax implemented in an area with high-quality infrastructure and services (e.g. streets, water, sewer, parks, and frequent transit) would improve the efficient use of that investment through economic development. The strong positive relationship between land value taxes and infrastructure investment can improve the financial stability of local government.

This white paper summarizes the anticipated impacts of a land value tax model on property taxes in the Twin Cities metropolitan region. To evaluate the impact of a land value tax locally, several sample districts were studied. These districts include areas served by high-frequency transit in Minneapolis, Hopkins, Brooklyn Center, Coon Rapids, Maplewood, Woodbury, Cottage Grove and Cedar Grove. Based on these case studies and our analysis, we found that land value taxation can encourage the following outcomes:

- 1. More productive use of vacant and under-developed parcels.**
- 2. Improved housing affordability.**
- 3. More efficient use of public infrastructure investments.**
- 4. Lower climate emissions and traffic from new growth.**
- 5. Greater equity in property taxes.**

These case studies reveal several factors that need to be considered prior to the implementation of a land value tax in the region. First, for a land value tax to work effectively and equitably, public assessors may need to develop a new approach to land valuation; in several local case studies, assessed land values appear disconnected from location and property size. Moreover, municipalities should consider the impact a land value tax district would have on industrial and single-family residential development. Depending on enabling legislation, land value taxes can be tailored geographically and by land use to more effectively advance local goals.



Land Value Tax Overview

The intent of a land value tax is to encourage the development of job and housing opportunities, improve the financial stability of local government, and improve the efficiency of infrastructure investment. This is accomplished by reducing the tax “penalty” associated with improving property while increasing the holding costs for land speculation.

The current property tax system in Minnesota (and in most jurisdictions across the country) involves appraising the value of land and buildings on a lot and applying a tax rate uniformly to both the land and improvements. In this system, the property taxes collected on a vacant or underutilized parcel are relatively low compared to the property taxes on an adjacent parcel with equal land value and significant improvements (see Figure 1).

LOT 1		LOT 2	
Land Value	\$10,000	Land Value	\$10,000
Building Value	\$0	Building Value	\$0
Land Tax Rate	10%	Land Tax Rate	10%
Building Tax Rate	10%	Building Tax Rate	10%
Tax	\$1,000	Tax	\$1,000
LOT 3		LOT 4	
Land Value	\$10,000	Land Value	\$10,000
Building Value	\$40,000	Building Value	\$90,000
Land Tax Rate	10%	Land Tax Rate	10%
Building Tax Rate	10%	Building Tax Rate	10%
Tax	\$5,000	Tax	\$10,000

Figure 1. This figure provides an example of how the current tax system would apply taxes to four comparable lots of equal size and with equal access to infrastructure. The parcels with higher building value pay higher taxes.

Figure 1 shows a scenario under the current tax system with four adjacent parcels of equal size and land value and with equal access to quality infrastructure. In this scenario, Lots 1 and 2 are vacant and have no building value. Lots 3 and 4 have significant building value relative to land value. Consequently, Lots 3 and 4 pay significantly higher taxes even though each lot benefits from equal access to infrastructure investment. In effect, Lots 3 and 4 subsidize the costs of the infrastructure investment for Lots 1 and 2.

A drawback of this system is that it penalizes and discourages development by substantially increasing taxes when a property is improved. Moreover, the properties paying the highest taxes tend to provide the most job and housing opportunities whereas the properties paying the lowest tax offer few or no job and housing opportunities while still benefitting from proximity to the same infrastructure investment. This system can discourage the productive use of land and infrastructure.



In a land value tax district, improvements may not be taxed at all. Instead, all tax revenue could be derived from the value of the land. The vacant parcel would incur a higher tax than it does under the existing system and the parcel with improvements would incur a lower tax. In aggregate, the city would still receive the same tax revenue from the four lots.

LOT 1		LOT 2	
Land Value	\$10,000	Land Value	\$10,000
Building Value	\$0	Building Value	\$0
Land Tax Rate	42.5%	Land Tax Rate	42.5%
Building Tax Rate	0%	Building Tax Rate	0%
Tax	\$4,250	Tax	\$4,250
LOT 3		LOT 4	
Land Value	\$10,000	Land Value	\$10,000
Building Value	\$40,000	Building Value	\$90,000
Land Tax Rate	42.5%	Land Tax Rate	42.5%
Building Tax Rate	0%	Building Tax Rate	0%
Tax	\$4,250	Tax	\$4,250

Figure 2. This figure provides an example of how a land value tax district would apply taxes to the lots described in Figure 1. The tax liability for each parcel is equal based on equal land value.

In this system, landowners are likely to gain the greatest value by developing housing or commercial uses. This incentivizes landowners and developers to make productive use of valuable land near high-quality infrastructure, which creates a positive feedback loop between infrastructure investment and tax revenue. When implementing an LVT district in a transit corridor or near active transportation infrastructure, the district may create opportunities for more housing and community amenities in areas accessible by transit, walking, and biking. In effect, LVT districts can serve climate change mitigation goals by increasing the number of destinations accessible without a car and reducing the length and frequency of car trips in the region. A further advantage of this system is that land cannot be relocated. High taxes on building value may encourage a developer to relocate a development to a jurisdiction with lower taxes. This displacement of development does not happen in a land value tax system.

Implementation Elsewhere

Several cities in Pennsylvania have implemented a hybrid land value tax called a split-rate tax. In this system, the tax on improvements is lower than the tax on land. The cities that implemented the land value tax have seen an increase in development activity relative to peers that did not implement the tax. These cities have also weathered economic downturns better than peer cities.² The implementation of a land value tax in Harrisburg, Pennsylvania led to \$4.8 billion in investment, over 40,000 building permits issued, thousands of new jobs, over 6,000 new residential units, and a tax base increase from \$212 million to \$1.6 billion between 1982 and 2009. The number of vacant structures in the city reportedly fell by 80% in this period.³ In Allentown, Pennsylvania, the introduction of a split-rate tax system in 1996—in which land value is taxed at 5.03% and building value is taxed at 1.072%—led to a decrease in property taxes for 70% of residential parcels in the city. Split-rate tax systems like those seen in Pennsylvania have also been authorized in three Virginian cities⁴ and in a pilot program for three municipalities in Connecticut.⁵ After an earthquake destroyed a significant portion of San Francisco, California, in 1906, the city



implemented a land value tax and quickly rebuilt in a compact form even without federal disaster relief.⁶

Internationally, land value taxes have been implemented to varying degrees in countries including Australia (Queensland), Denmark, Finland, Namibia, Estonia, and New Zealand, among others.⁷ Administration of the tax system varies, with different countries issuing the tax at the municipal, state, or federal levels. In most of these examples, land value taxes accompany other land and property taxation, but land tax is the only specific form of property tax in Estonia.

Valuation practices have been a central issue in the implementation of LVT both in the United States and abroad. For example, in Queensland, land valuations are ideally based on land sales of vacant or 'lightly improved land' wherever possible. However, lacking vacant land sales in the region have pushed assessors to rely more on improved land sales, leading to inconsistency and a lack of transparency in valuation approach.⁸ Similarly, South Africa moved away from land value taxation in 2004, with the South African Institute of Valuers citing public misunderstanding of LVT and lacking vacant sales as reasons to instead base their land ratings on capital improved values.⁹ In Pittsburgh, Pennsylvania, a controversial county-wide property re-assessment in 2001 led to the rescission of the nearly century-old split-rate tax system in the region.¹⁰

Certain countries have specialized land valuation systems that evaluate land based on factors outside the sale of comparable land. Estonia has a four-pronged land value assessment model that helps combat these challenges in other countries. Valuation occurs through mass appraisals led by the Land and Spatial Development Board and informed by the Land Valuation Act.¹¹ Valuation models are divided by intended land use and assessed values differ based on land area and proximity to water bodies. Other factors including soil type, building use (public facilities), road frontage, and forest growth can influence valuation within the different models. The most recent mass appraisal occurred in 2022, and the next valuation takes place in 2026.¹² New Zealand, which allows most local governments to levy land value taxes, has also established a model for determining the value of land beyond improved land sales.



Case Study Methodology

This white paper evaluates the impact of sample land value tax districts in areas served by high-frequency transit across the Twin Cities metropolitan region. For the sake of simplicity, property taxes in these districts are derived entirely from the land value. A more detailed description of calculations can be found in Appendix B. The process of evaluating a tax district can be quickly performed for most districts in the Twin Cities region with existing county parcel records.

For this study, the revenue collected from an LVT district will equal the revenue collected under the existing tax system. This condition establishes the following steps for determining the new land value tax for each parcel.

1. Sum the current property tax revenue from every parcel in the district. (Total Property Tax Revenue)
2. Sum the assessed land value from every parcel in the district. (Total Land Value)
3. Divide the Total Property Tax Revenue by the Total Land Value. (Land Value Tax Rate)
4. Multiply the assessed land value for each parcel by the Land Value Tax Rate.

The case studies in Appendix A show the percent change in property taxes on each parcel in a district as a result of the land value tax. This impact was determined with the following calculations.

1. Subtract the current property tax for each parcel from the anticipated land value tax for each parcel. (Property Tax Change)
2. Divide the Property Tax Change for each parcel by the current property tax for each parcel. (Percent Property Tax Change)

Case Study Findings

Based on the case studies, a land value tax district system in the Twin Cities region may affect multiple outcomes. Most notably, these districts have the potential to encourage economic development, which is the primary intent of LVT broadly. LVT districts also help maximize infrastructure investment and advance equity. The scope of these secondary impacts is influenced by factors in district implementation including district boundary-setting, land-use exclusions, et cetera. See Appendix A for an exhibit of each of the land value tax district case studies.

Encourage Economic Development

In every case study, property taxes on parcels with little or no building value increased while parcels with significant building value experienced a decrease in property taxes. As discussed above, this would incentivize the owners of vacant and under-developed land¹³ to develop or sell these parcels to a developer because the “penalty” for developing land is removed and the holding costs of land exceeds the costs under the current tax system. Figure 3 is an illustrative example of the percent property tax change of adjacent parcels with different building values.



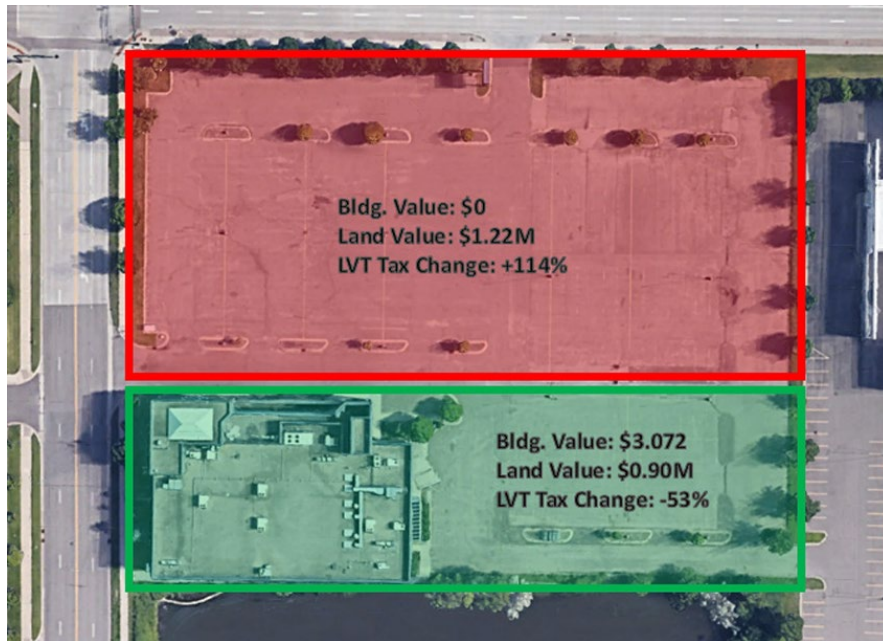


Figure 3. This exhibit provides an example of parcels from Case Study 7. The parcel shown in green has relatively high building value and would incur a reduced property tax in a land value tax district. The parcel shown in red has zero building value and would incur an increased property tax in a land value tax district.

The chart in Figure 4 shows the relationship between the land value tax impact (Percent Change in Property Taxes) and the ratio of building market value to total market value on parcels along high-frequency transitways in Minneapolis. As building value becomes a larger percentage of total value (land value + building value), taxes decrease. Figure 4 indicates the majority of parcels along high-frequency transit in Minneapolis would see a decrease in their property taxes with the establishment of an LVT district. These feasibility gains carry particular significance for housing, as the next section describes.

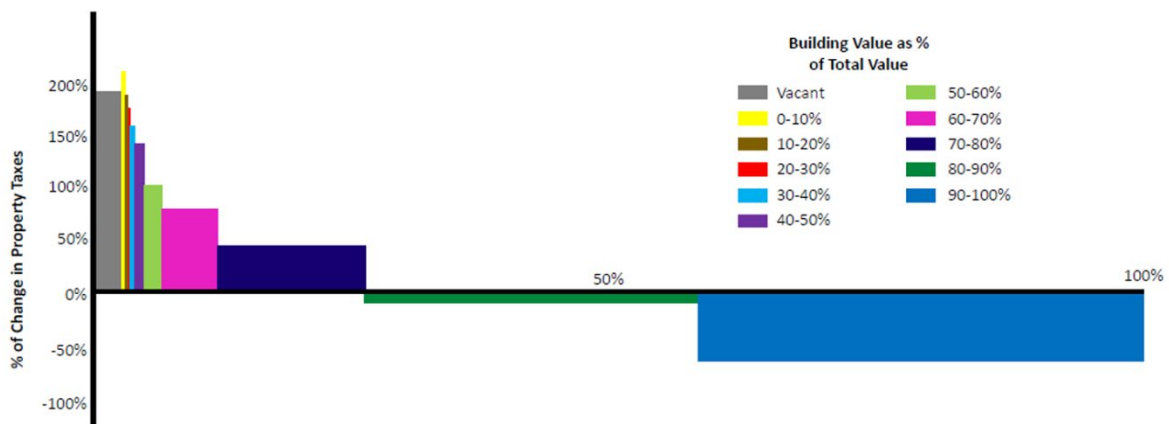


Figure 4. This figure depicts the relationship between building value as a percent of total value and the percent change in property taxes from Case Study 1. Properties are divided into categories based on the ratio of building value to total value (land + building). The width of each category reflects the proportion of parcels that fall in that category. As is evident from the chart, building value accounts for over 80% of total value for most parcels and most parcels will experience a reduction in property taxes.



Improve Housing Affordability

Property taxes and the cost of housing are two financial pressures residents feel most directly, and a land value tax addresses both. Property tax is built into housing costs in every mortgage payment and reflected in rent. The structure of the tax also shapes how much housing gets built. By shifting tax off of buildings, a land value tax reaches affordability from two directions: it lowers the tax embedded in housing, and it makes more housing feasible to build.

The first effect is direct. Because the tax in an LVT district falls on land rather than on structures, it reduces the tax on housing as a building. This is clearest for rental housing: an apartment building represents substantial building value on a relatively small amount of land, so shifting tax off the structure lowers its tax and, in turn, the operating costs that are reflected in rents. For homeowners, the burden moves off the house and onto the land beneath it, easing the tax on a typical home even as the district collects the same total revenue.

The second effect is through supply. As the previous section describes, removing the tax penalty on improvements makes development more financially feasible. Applied to housing, this means projects that would otherwise stall become viable, and more homes can be built in already infrastructurally-supported locations. Additional supply helps relieve the upward pressure on rents and sale prices. This works at the margin and over time, and is most pronounced where housing is scarce, but it points consistently toward greater affordability.

A land value tax therefore improves affordability without subsidy. Rather than paying to reduce the cost of housing after it is built, it lowers the cost of producing and holding housing in the first place. As the affordable-housing proforma later in this paper (Figure 10) illustrates, the shift in tax burden under an LVT system can be enough for a development to meet inclusionary affordable-housing requirements while still achieving market returns. In this way, the tool supports both the overall supply of housing and the delivery of homes affordable to lower-income households.

Maximize Infrastructure Investments

The clearest benefit of directing development toward infrastructure-rich locations is fiscal. Streets, sewers, water, parks, and transit are largely fixed costs that a community pays for whether the land beside them is used or not. When underused parcels near that infrastructure are developed, the cost of maintaining it is spread across more taxable value, which lowers the rate needed to fund it. In effect, underused land in a well-served location is subsidized by everyone else and putting it to productive use eases that burden. Spreading long-term maintenance obligations across a larger and more productive base is also a matter of basic fiscal sustainability for communities carrying aging infrastructure.

Land values tend to be highest in areas adjacent to high-quality amenities and infrastructure. Development pressure in an LVT district will be greatest on vacant and under-developed parcels near high-quality infrastructure, resulting in a more efficient use of land and infrastructure in the long-term. The exhibit below shows how land values vary by location in Minneapolis. In Minneapolis, infrastructural assets including the METRO Green Line and Blue Line, Chain of Lakes Regional Park, and East Minnehaha Parkway and Minnehaha Creek align with areas of higher land value. Importantly, public assessors may need to develop a new approach to land valuation for a land value tax to work effectively and equitably. In several case studies, assessed land values appear disconnected from location and size. See Implementation Considerations for additional details.



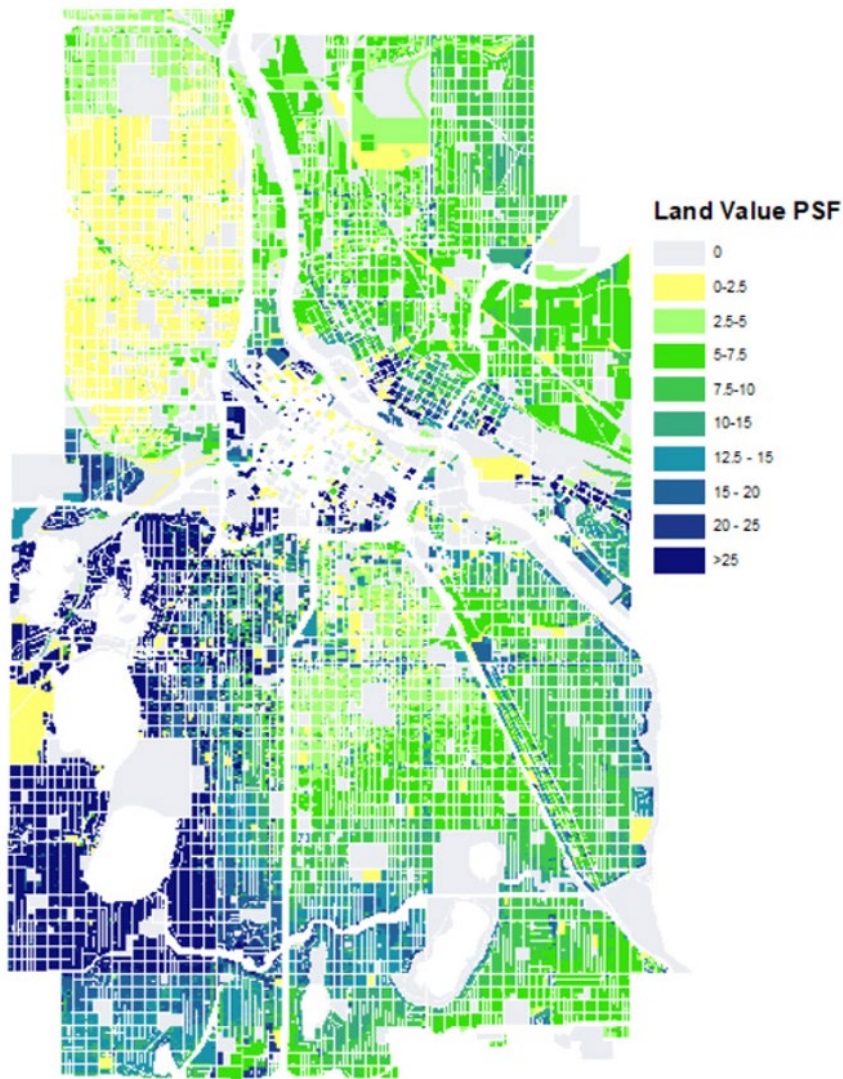


Figure 5. This figure depicts estimated land value per square foot in Minneapolis. Land values tend to be higher near amenities and infrastructure.

Reduce Climate Emissions and Traffic from New Growth

Where a region builds its next increment of housing is one of the highest-impact climate decisions available to local governments. Research from the University of California, Berkeley's CoolClimate Network, modeling more than 700 cities, found that directing new development into lower-carbon, well-located places (urban infill) is one of the most powerful local policy tools for reducing emissions in urban areas, with local land-use choices capable of cutting statewide emissions in transportation, energy, food, and goods and services.¹⁴ The key mechanism for achieving climate benefits of infill is location rather than density alone: a household in a central, infrastructure-rich neighborhood has a carbon footprint roughly half the average, while households further from jobs, grocery stores, and other destinations can reach twice the average. Driving is the single largest source of the difference.¹⁵



This discussion also reframes a common concern about new development. The worry that new housing “adds traffic” compares a development to nothing at all, but a more useful comparison is to where those households would otherwise live. A household placed in a well-served location near destinations drives far less than the same household placed at the suburban edge. Directing growth closer to community and jobs centers produces less regional driving than the alternative. Because a land value tax raises the carrying cost of underused, well-located land and removes the tax penalty for building on it, it channels growth toward the lower-carbon, lower-traffic locations this research identifies. While these studies draw on other regions, the underlying relationship between location, driving, and emissions is national, and the land-value patterns shown earlier in this paper identify the same kinds of infrastructure-rich locations in the Twin Cities.

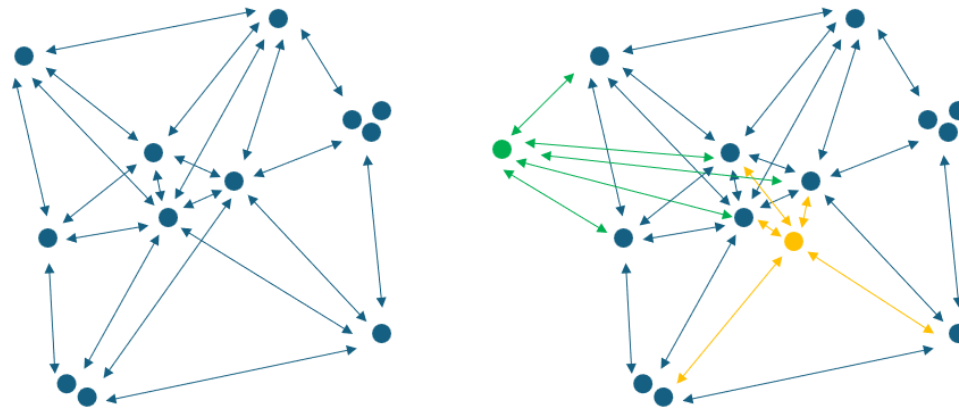


Figure 6. The left figure shows travel distances for residents in a “before” scenario with existing infill and suburban development. The addition of an infill development (yellow point) and a greenfield development (green point) on the right figure illustrate that an infill development will shorten distances for residents to destinations compared to greenfield development, which will require longer travel times to the same destinations. Shorter traveling distances can enable residents to consider alternative modes to driving, and the car trips that are taken will be shorter than in a greenfield development scenario.

Advance Equity

Land value tax districts can be a tool for advancing equity. The current property tax system throughout most of the United States has been found to systemically undervalue and over-assess the property of homeowners of color. A study from the Federal Reserve Bank of Minneapolis found that in the United States, Black and Hispanic residents experience an average 10-13% higher tax burden than white counterparts for equivalent public services.¹⁶ Gaps in assessment between the least and most expensive homes in an area are similarly inequitable. A graph produced by researchers at the Harris School of Public Policy at the University of Chicago reveals a negative correlation between the sale price of a home and its sales ratio (property assessment divided by sale price) in Hennepin County, MN. See Figure 7.



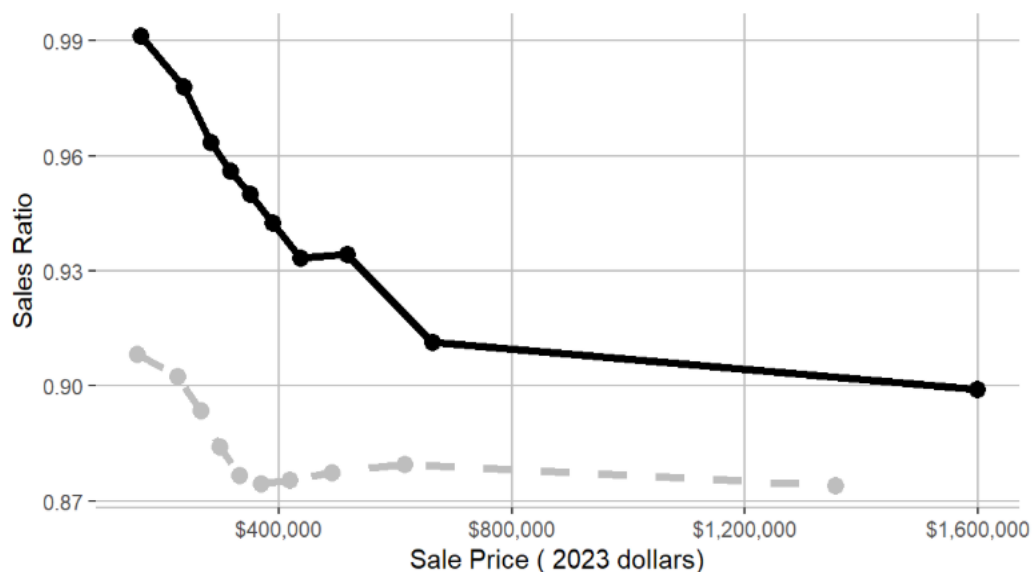


Figure 7. Trend line of home sales price in Hennepin County versus the sales ratio (property assessment/sale price). The solid line represents the trend in 2023, and the dashed line represents the average from home sales between 2014 to 2023. Source. Berry, Christopher, An Evaluation of Property Tax Regressivity in Hennepin County, Minnesota. The University of Chicago, Center for Municipal Finance. 2024. www.propertytaxproject.uchicago.edu.

A similar pattern holds across the seven-county metro area. See Appendix C for the sales ratio graphs of the other metro counties. The effective tax rate additionally differs across sale prices in the Twin Cities metro. The same report from the Harris School of Public Policy indicates that in Ramsey County in 2023, the least expensive homes had an effective property tax rate 20% higher than the rate of the most expensive homes. Across the seven-county metro, the effective property tax rate is higher for less expensive homes; by 9% in Hennepin County, 10% in Dakota County, 31% in Carver County, 41% in Scott County, 46% in Washington County, and 51% in Anoka County.¹⁷ These figures compare tax rates between homes in the bottom decile of sale value in each county with homes in the top decile of sale value. An analysis beyond these polar deciles could provide further insight into the extent of property tax difference in the region. Additionally, as tax rates differ significantly across municipal boundaries, the county-level analysis is inexhaustive and warrants further research at the city or community level.

Adopting a land value taxation system could help alleviate tax differences across sale value and racial demographics by implementing a uniform tax rate based on lot size and location. Separating assessment practices from land improvements could reduce the impact of assessor bias and historical discriminatory housing policies (e.g. redlining, exclusionary zoning, and racially-restrictive covenants) on property valuation and taxation. In order to equitably distribute tax liabilities under a land value tax system, locally-specific audits of the existing tax system and assessment gaps like those explored above may be necessary. As mentioned previously, practices for land value assessment will need to be reevaluated to ensure the equity benefits of this system can be realized.

Our modeling in Minneapolis suggests the implementation of an LVT district in high-frequency transit corridors may reduce the tax burden for lower income residents. Figure 8 highlights census tracts in Minneapolis that are designated areas of concentrated poverty. These areas tend to have high building-to-land value ratios and could therefore experience a reduction in property taxes within a land value tax district. (See Figure 9)



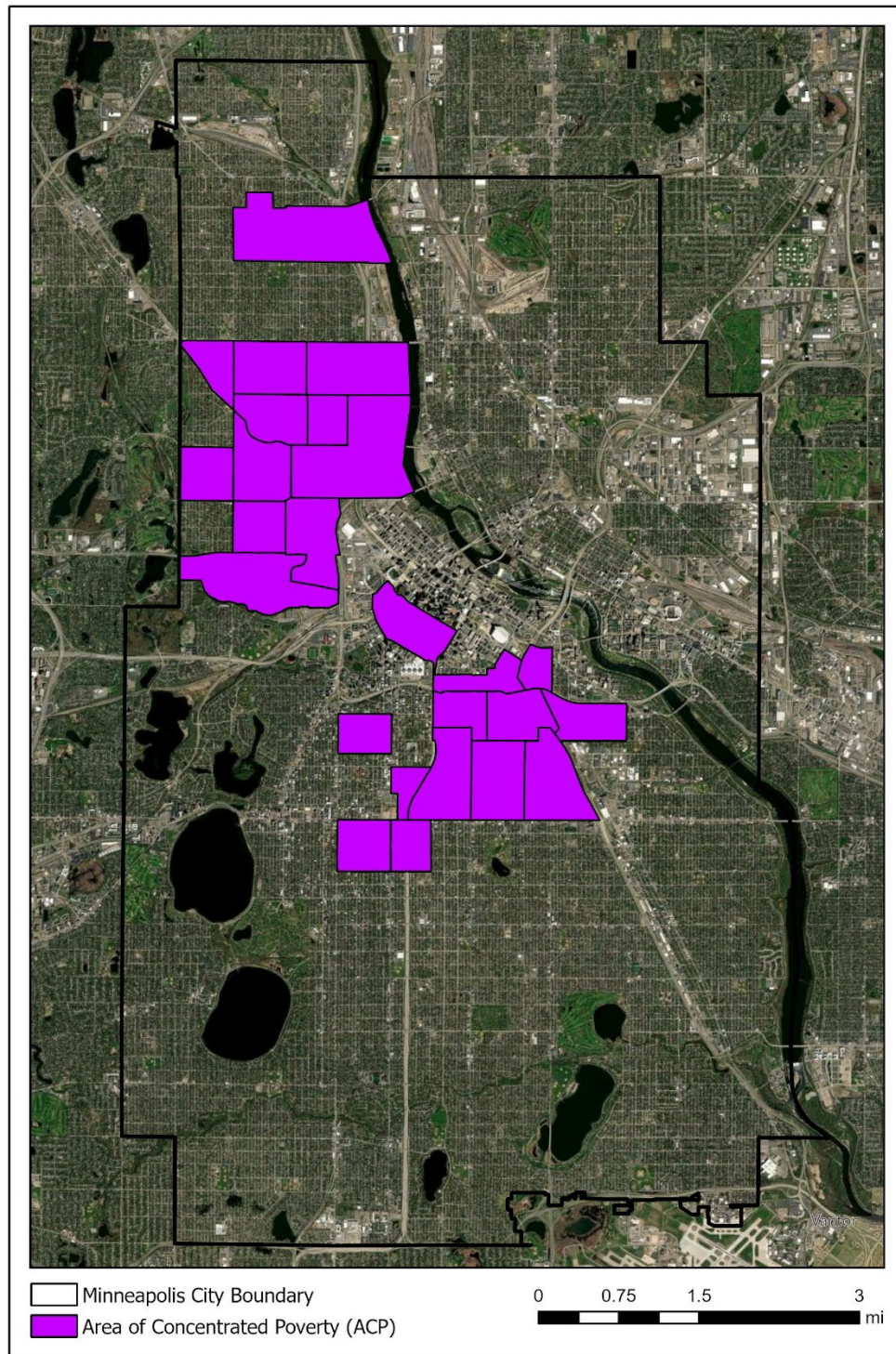


Figure 8. Areas of Concentrated Poverty (ACP) in Minneapolis, Minnesota. ACPs are defined as tracts where at least 40% of residents have incomes below 185% of the federal poverty threshold. Source. Data from the Metropolitan Council's Equity Considerations dataset and the U.S. Census Bureau's 2018-2022 American Community Survey.



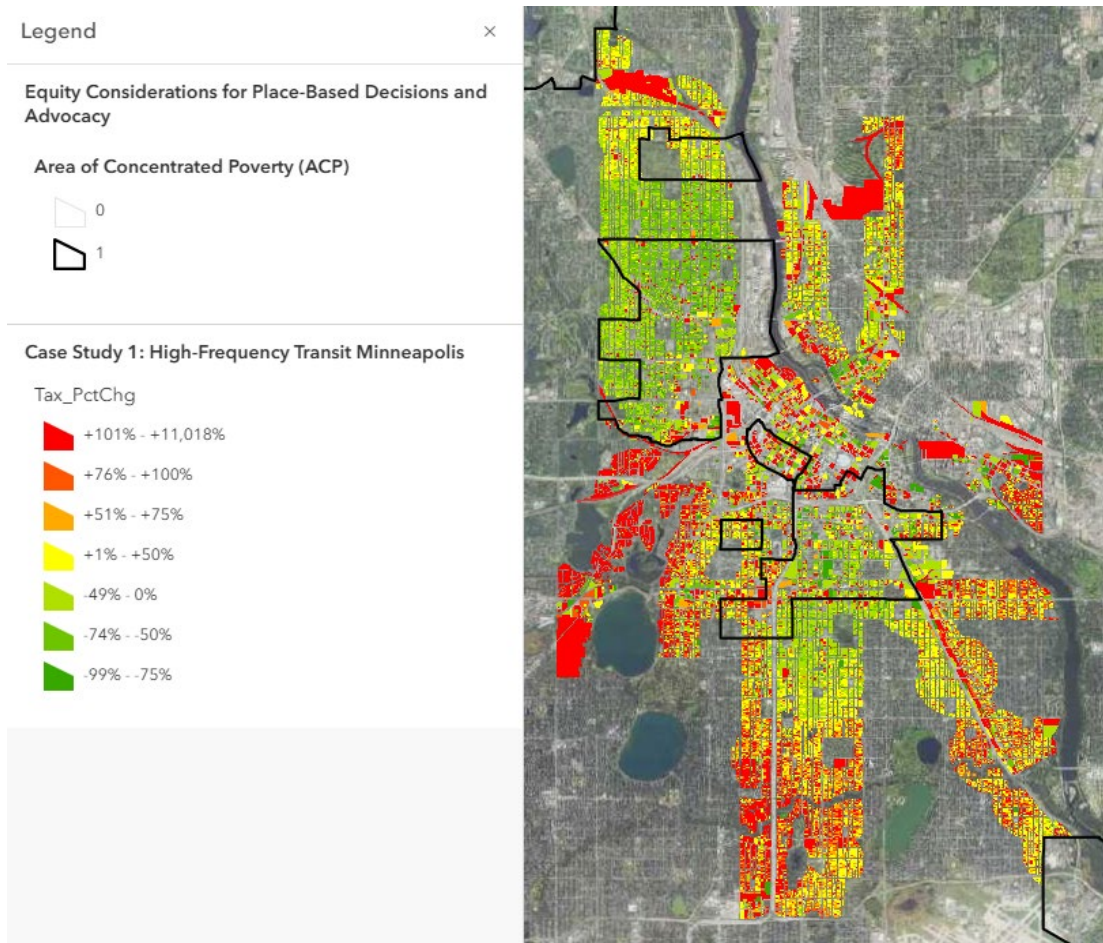


Figure 9. Areas outlined in black correspond to census tracts designated areas of concentrated poverty identified in Figure 8. These areas could generally see a reduction in property taxes under a land value tax system.

Land value taxation may also enable governments to provide housing in line with equity-driven local policies. Our modeling indicates that implementing an LVT district could improve the financial feasibility of multi-family housing developments which comply with inclusionary housing policies like the Unified Housing Policy adopted by the City of Minneapolis.

The 2020 data provided in Figure 10 is from a luxury multi-family development located in Minneapolis. Apartments in this building achieve some of the highest average rents in the region. Existing developments like this are not required to comply with the city's current Unified Housing Policy. However, new developments are required at minimum to provide at least 8% of housing units in rental properties at a rate affordable to households with an income at or below 60% area median income (AMI).¹⁶ If a new development comparable to this one were built in an LVT district like Case Study 1, the revenue reduction due to the 8% affordable units could be less than the property tax savings achieved from the LVT system. As can be seen in the figure below, if a new development lowered their rents to meet the affordable unit requirements of the Unified Housing Policy, they would collect \$250,000 less in rent each year. However, the property tax liability for this development would decrease by over \$400,000 under the LVT district in Case Study 1. Thus, implementation of a land value tax district may allow developers to satisfy inclusionary housing requirements and achieve market returns without public subsidy. Importantly, this



scenario only applies to developments entitled after the current Unified Housing Policy was adopted. Pre-existing developments like this development are not required to comply with the current Unified Housing Policy.

	# Units	Average Effective Rent	Affordable rent (60% AML)	Average Annual Discount for 1 Unit	# Affordable Units (8% of Units)	Annual Rent Discount for Affordable Units by Size
Studio	100	\$1,529	\$1,086	\$5,316	8	\$42,528
1 Bed	100	\$2,320	\$1,164	\$13,872	8	\$110,976
2 Bed	74	\$3,033	\$1,396	\$19,644	5	\$98,220
3 Bed	6	\$5,036	\$1,613	\$41,076	0	–
					Total Annual Discount	\$251,724

Figure 10. This table depicts the rent discount that a new development would be required to provide for affordable housing units to comply with the Minneapolis Unified Housing Policy. These values reflect 2020 rents for an existing luxury development in Minneapolis. Existing developments are not required to comply with the Unified Housing Policy.

Implementation Considerations

Several factors must be considered before a land value tax district is implemented. These factors may influence the ultimate impact of a district.

Land Value Assessments

In every local case study, questions arose regarding the accuracy of existing land value assessments. In some case studies, a uniform land value was assigned to parcels regardless of parcel size or location (Figure 11).



Figure 11. This figure provides an example of land values that appear independent of property size and location. Similar examples can be found across the Twin Cities region. A new method of land appraisal may be required to effectively implement an LVT district. Because the current tax system applies taxes equally to land and buildings, the allocation of value between buildings and land is not important.



Implementation of an LVT district may require a new approach to land value assessment. Without reassessment, a land value tax district in this area will not distribute taxes equitably, and it may not encourage economic development or effective use of infrastructure investment. One example of a systematic land valuation process is implemented in Estonia. Estonia has four different land valuation models for different classes of land (i.e. construction, agricultural, and forest land) which base land value on defined geographical and size factors, and the country undergoes mass appraisals every few years to reassess land based on these factors.

Industrial Development Displacement

Case Study 1 includes multiple areas zoned for industrial development. The land value tax district had the general effect of increasing property tax liability in industrial areas within the district (Figure 12). This may encourage industrial developments to relocate out of the district, which may harm municipal goals. However, not all industrial areas in the case studies were negatively impacted by the implementation of an LVT district.



Figure 12. This figure depicts the potential impact of an LVT district on industrial land uses from Case Study 1 in Minneapolis. The parcels outlined in black have a planned land use of the industrial designation. Many of these parcels may experience a significant increase in property taxes in an LVT district like that applied in Case Study 1.

To combat industrial displacement, municipalities should first update their land assessments to confirm these values reflect fair market values. If updated values continue to raise concerns that industrial development may be priced out, a municipality may elect to exclude industrial land uses from the district. In this scenario, industrial parcels would continue to pay taxes under the conventional tax system or within an industrial specific land value tax district.



Single Family Displacement

In case studies with a single-family zone adjacent to a high-value commercial zone, it was observed that taxes for the single-family lots generally increased while property taxes for the commercial parcels decreased. This could lead to the displacement of single-family residents.



Figure 13. This figure depicts the potential impact of implementing LVT on a single-family residential zone adjacent to a high-value commercial district in Cedar Grove (Case Study 10). In this district, the property taxes on the commercial parcels would diminish and the property taxes on the single-family lots would increase significantly.

To combat single-family displacement in this scenario, a municipality should first update their land valuations to confirm these values reflect fair market values. If updated values continue to raise concerns that single family residents may be displaced, a municipality may elect to create two land value tax districts that bifurcate the commercial and residential zones. Alternatively, a municipality may elect to explore larger and more comprehensive districts to more evenly distribute the impact on property taxes.

Other Impacts

Implementation of a land value tax district may have additional adverse impacts that are not reflected above. In each case, current land values should be reviewed and updated if necessary before evaluating the potential impact of land value taxation.



Addressing Common Concerns

Several questions commonly arise when communities consider a land value tax. The following addresses the most frequent concerns.

Does taxing idle land more heavily risk leaving lots neglected and blighted? The intended and observed effect is the opposite. A key barrier to development under the existing property tax system is that property taxes increase several-fold (some case studies have shown a 10x-14x increase) when a property is improved with housing or jobs-focused development. This increase in property taxes negatively impacts the feasibility of certain developments. However, raising the cost of holding land idle and removing the development penalty gives owners a reason to put it to use or to sell it to someone who will, rather than waiting indefinitely for values to rise. A long-vacant, deteriorating lot held by an absentee owner while the surrounding block stagnates is the problem a land value tax is designed to address, not a result it produces.

Could the tool be applied unfairly to a particular owner? A land value tax district applies a single, uniform rate to land value across the district by formula, which reduces the parcel-by-parcel discretion present in the current system rather than expanding it. Districts are generally established through a public process with notice to affected owners.

Would a land value tax raise rents? Because the supply of land is fixed, a tax on land value is largely borne by the landowner and is not easily passed through to tenants—an important difference from taxes on buildings, which can discourage construction and improvement. Additionally, increasing the supply of housing and commercial space will reduce rent pressures.

Conclusion

Land value taxation is fundamentally a tool for making better use of the places a community has already built. Whether the setting is a downtown, a traditional main street, or a transit corridor, the same logic applies—shifting tax off of buildings and onto land rewards productive use of well-served parcels, broadens the local tax base near existing infrastructure, and eases rate pressure on existing residents and businesses.

As evidenced by ten case studies along transit corridors in the Twin Cities metro region, land value tax districts increase property taxes on parcels with low or no building value and reduce property taxes on improvements. These case studies indicate that LVT districts have the potential to increase economic development in areas with high-quality infrastructure like a main street or transit corridor by shifting property tax burdens away from land improvements towards land speculation. This could allow for higher-density development in transit corridors, maximize the impact of infrastructural investments, and alleviate the financial pressures of housing for cost-burdened residents in the region.

However, certain steps must be taken to ensure LVT districts fulfill these potential benefits. First, when exploring the implementation of a district, it may be necessary to develop a new method for assessing land. In the current system, the allocation of value between buildings and land is relatively unimportant because of the uniform tax rate applied to land and improvements. Under an LVT system, land assessments must be consistent and accurate to achieve equity and development goals. Estonia has developed a model for accurately assessing the value of land. It is also important that potentially



negative impacts to industrial development and single-family residential areas are considered before a district is implemented. These negative impacts can be mitigated by adjusting the limits of a district or by excluding certain land uses.

¹ Dye, Richard F. and Richard W England, “Assessing the Theory and Practice of Land Value Taxation” in “Land Value Taxation: Theory, Evidence, and Practice,” *Lincoln Institute of Land Policy: Policy Focus Report*, 2010.

² “Land Value Tax” (Strong Towns), accessed July 14, 2020. [Strongtowns.org/landvaluetax](https://strongtowns.org/landvaluetax)

³ “Tax Trial: A Land Value Tax for London?”, *Greater London Authority*, 2016. Page 16.

https://www.london.gov.uk/sites/default/files/final-draft-lvt-report_2.pdf

⁴ Maria Dougherty, “What is Land Value Tax?” *HousingForward Virginia*, June 22, 2023. [What is Land Value Tax? - The FWD - HousingForward Virginia](https://www.housingforwardva.org/what-is-land-value-tax/)

⁵ “Connecticut,” *Lincoln Institute of Land Policy*, October 2023. [ct_october_2023.pdf](https://www.lincolninstitute.org/publications/connecticut-land-value-tax-2023/)

⁶ “Land Value Tax” (Strong Towns), accessed July 14, 2020. [Strongtowns.org/landvaluetax](https://strongtowns.org/landvaluetax)

⁷ Cathy Hughes, et al, “Implementing a Land Value Tax: Considerations on Moving from Theory to Practice”, *Land Use Policy*, Vol. 94. 2020. [10.1016/j.landusepol.2020.104494](https://doi.org/10.1016/j.landusepol.2020.104494)

⁸ Ibid. 9.

⁹ Ibid. 10.

¹⁰ Mark Alan Hughes, “Why So Little Georgism in America: Using the Pennsylvania Case Files to Understand the Slow, Uneven Progress of Land Value Taxation.” *Lincoln Institute of Land Policy*, 2006. https://www.lincolninstitute.edu/1275_hughes_final.pdf

¹¹ Estonia’s Land Valuation Act (1994). [§ 1 of Land Valuation Act](https://www.maaamet.ee/en/regular-assessment-land)

¹² “Regular Assessment of Land”, Republic of Estonia Land and Spatial Development Board, accessed 2026. <https://maaruum.ee/en/regular-assessment-land>

¹³ This is only true on sites where vacant or under-developed land is near highly-developed property. It does not apply to undeveloped or agricultural areas.

¹⁴ Jones, Christopher, Stephen Wheeler, and Daniel Kammen, “Carbon Footprint Planning: Quantifying Local and State Mitigation Opportunities for 700 California Cities,” *Urban Planning*, Vol. 3 (2). 2018. [10.17645/up.v3i2.1218](https://doi.org/10.17645/up.v3i2.1218)

¹⁵ Jones, Christopher, and Daniel Kammen, “Spatial Distribution of U.S. Household Carbon Footprints Reveals Suburbanization Undermines Greenhouse Gas Benefits of Urban Population Density,” *Environmental Science and Technology*, Vol. 48 (2). 2013. <https://pubs.acs.org/doi/10.1021/es4034364>

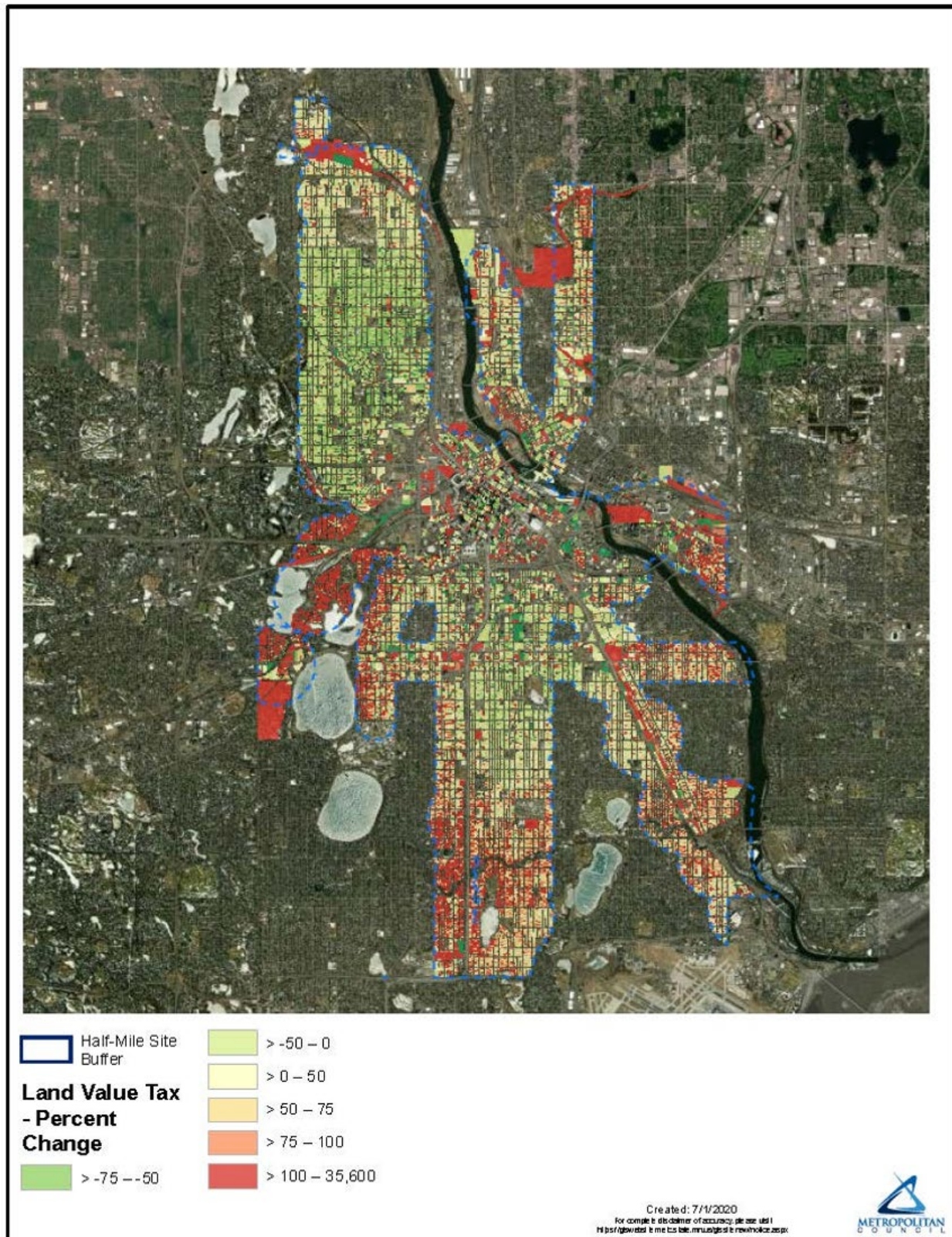
¹⁶ “Racial Inequality and the Tax Code”, Minnesota Center for Fiscal Excellence, April 2021.

https://fiscalexcellence.site-ym.com/resource/resmgr/fiscal_focus_articles/4-2021_racial_inequity_and_t.pdf

¹⁷ Christopher Berry, “A Report on Nationwide Property Tax Regressivity,” Policy Brief. *The University of Chicago, Center for Municipal Finance*. www.propertytaxproject.uchicago.edu



Appendix A: Case Studies



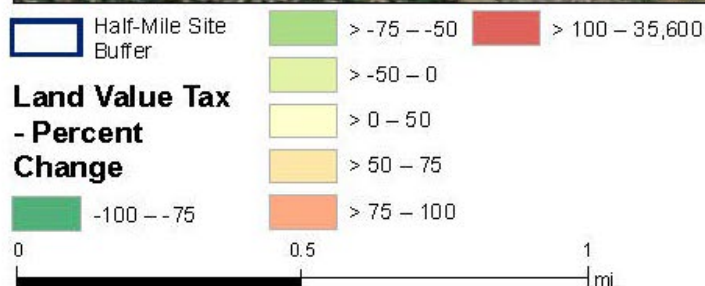
Case Study 2: Downtown Minneapolis



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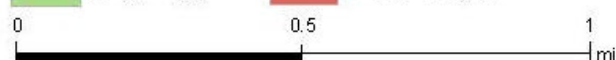
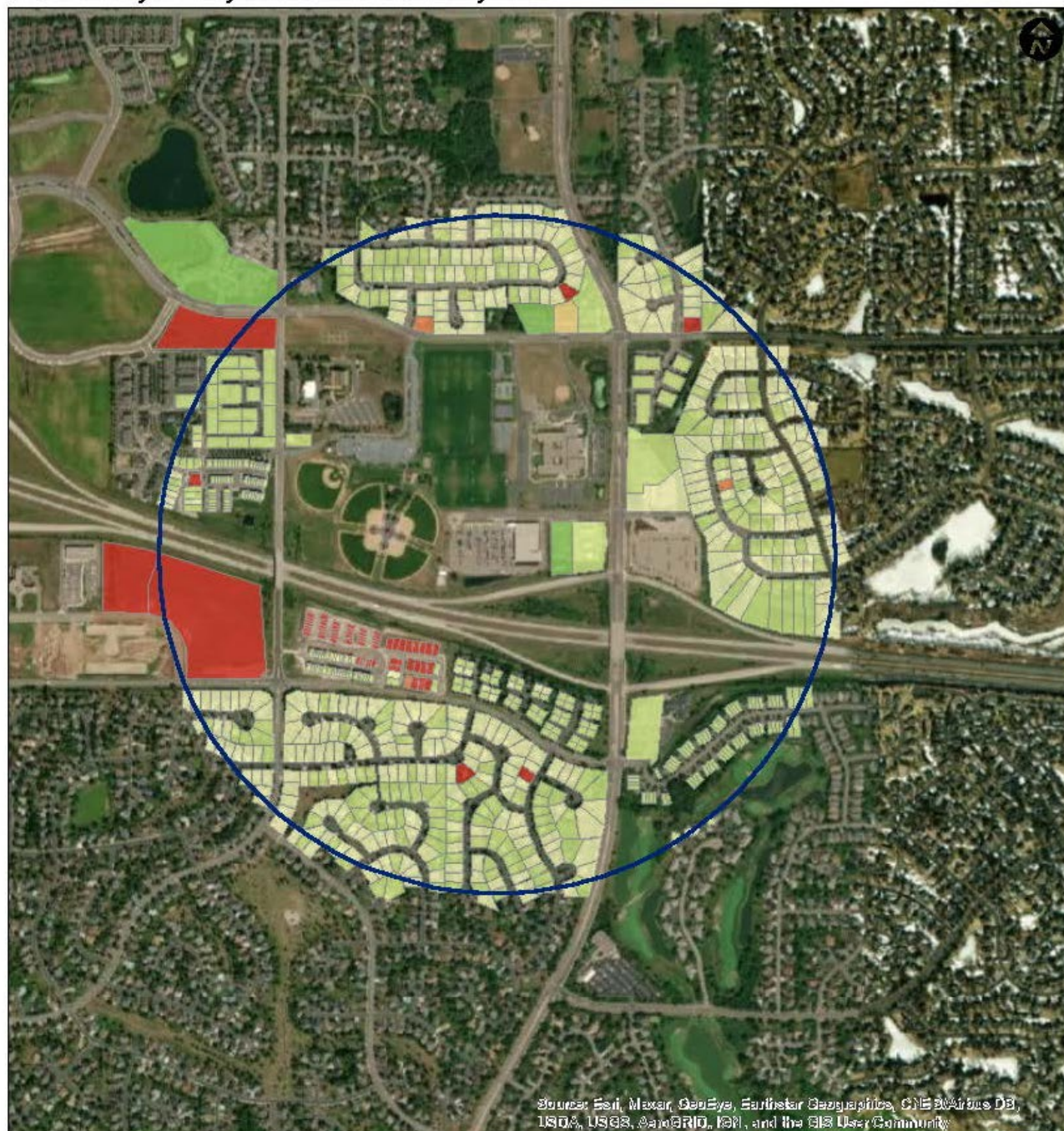
Case Study 3: Coon Rapids-Riverdale Station



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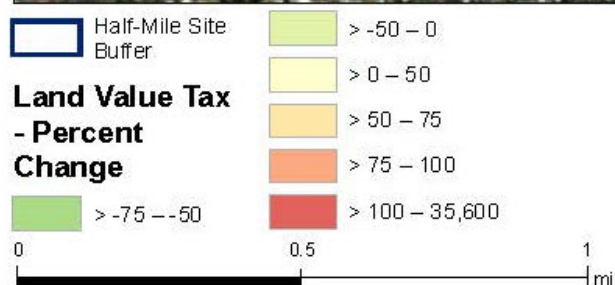
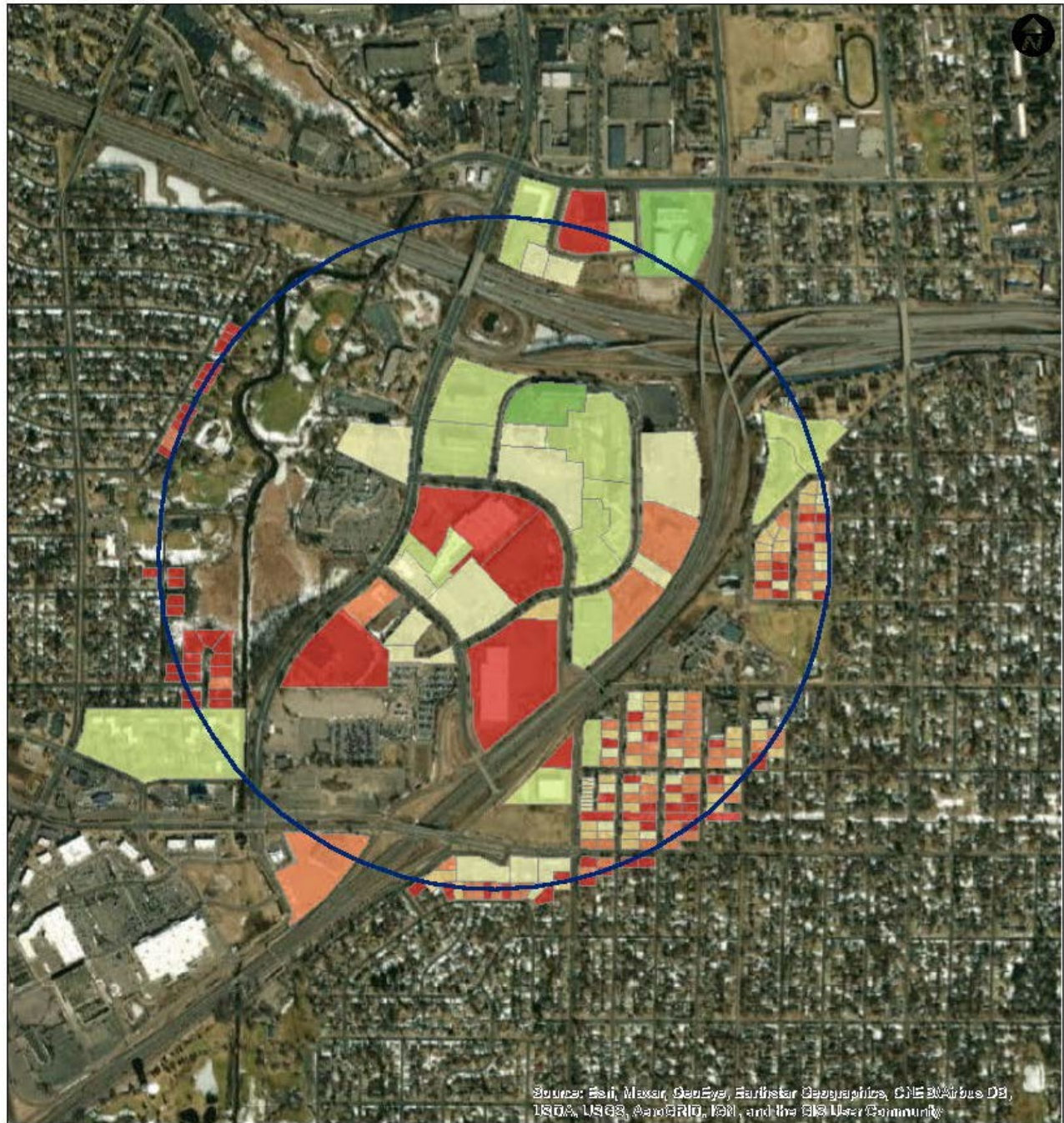
Case Study 4: Hwy 610 and Noble Pkwy P&R



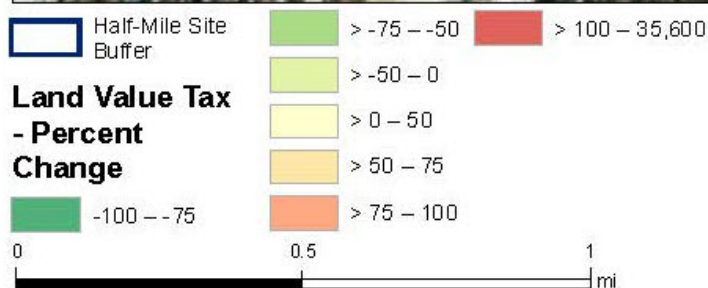
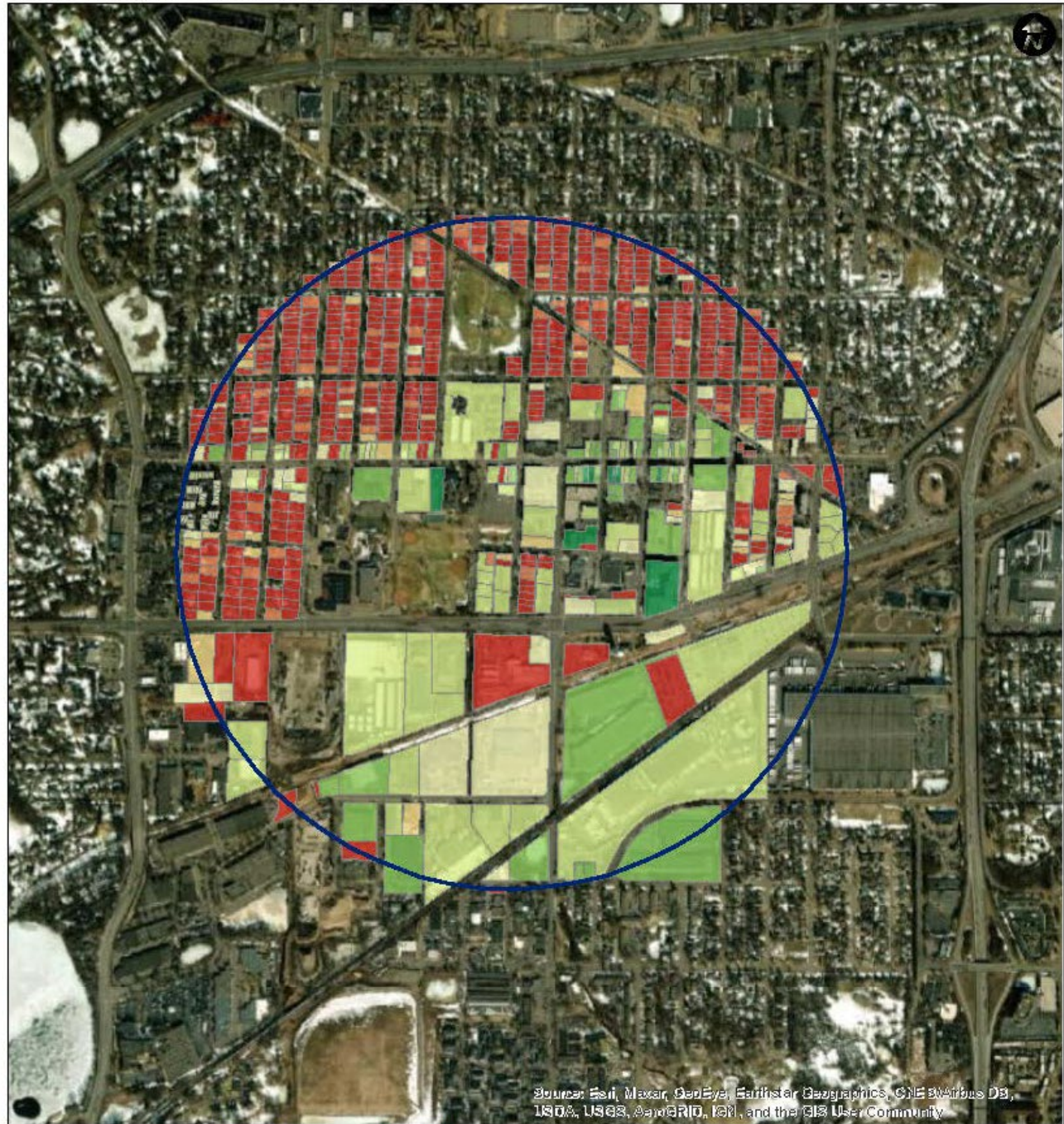
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Case Study 5: Brooklyn Center Transit Center



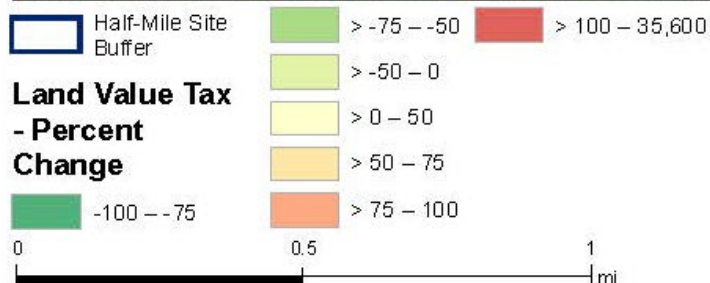
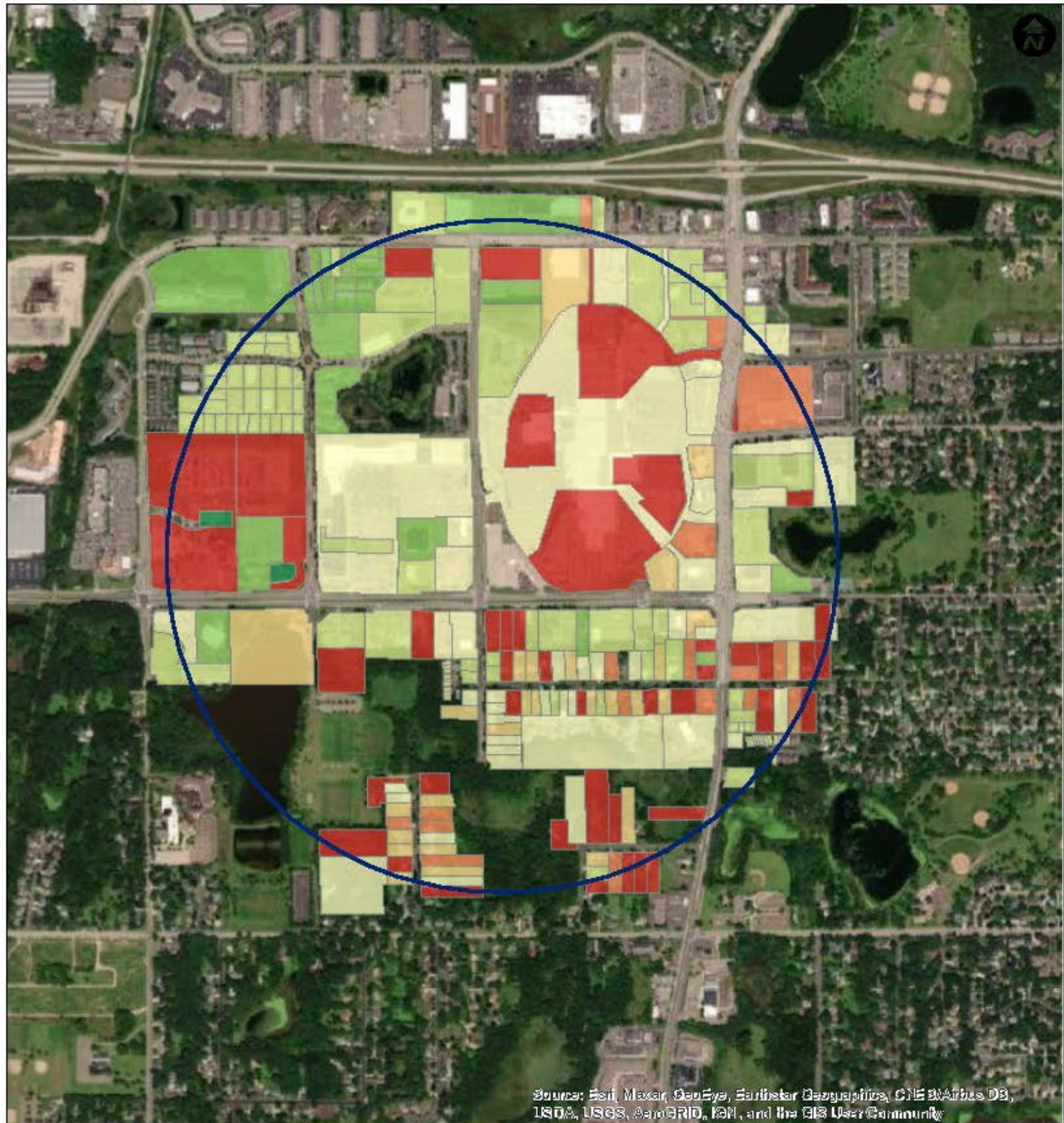
Case Study 6: Downtown Hopkins



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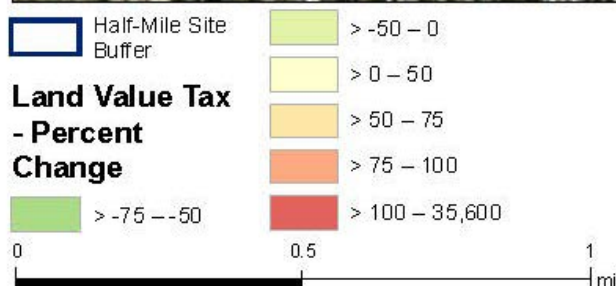
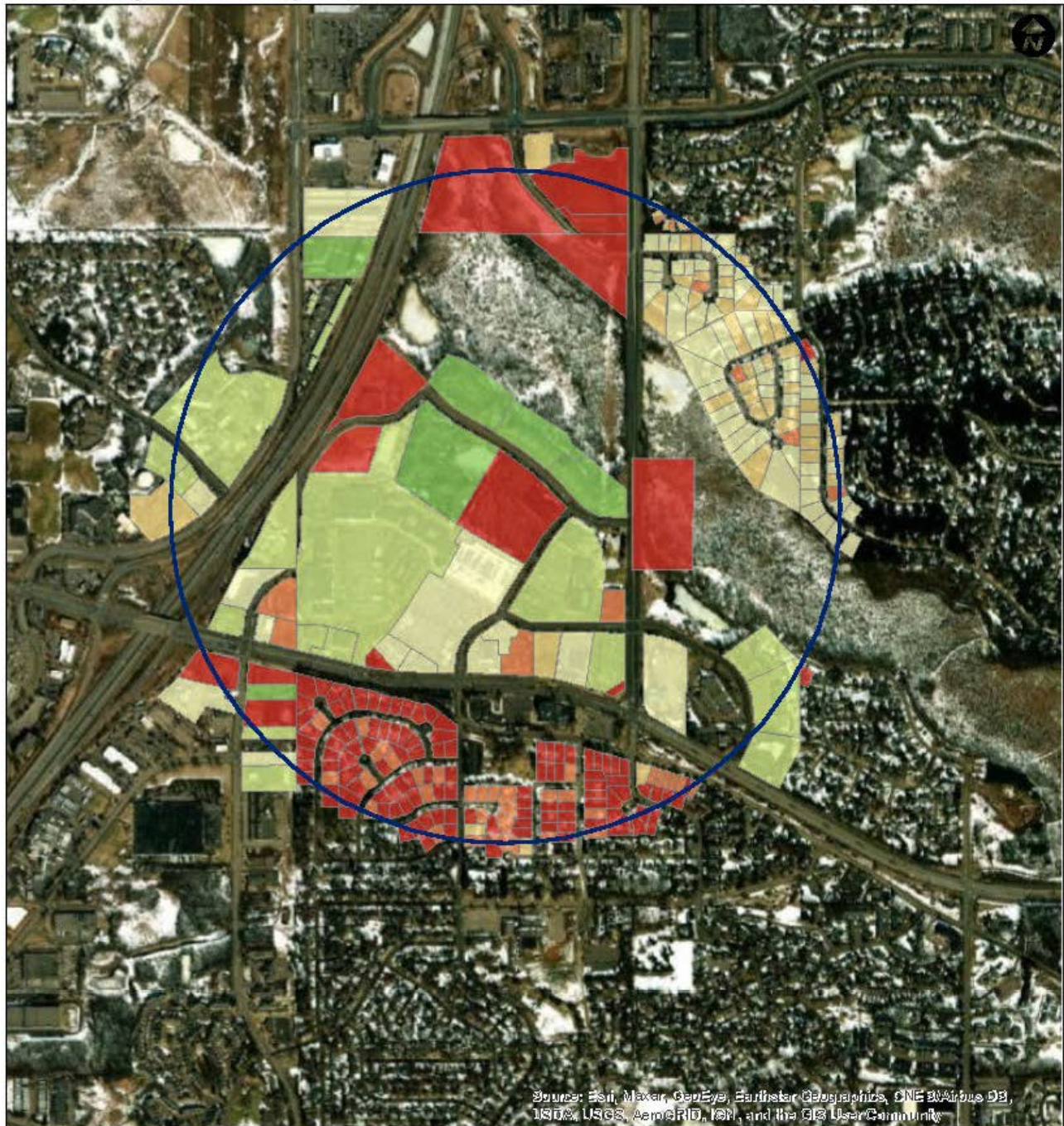
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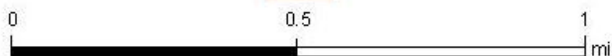
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Case Study 8: Woodbury Theater P&R



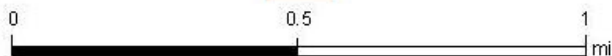
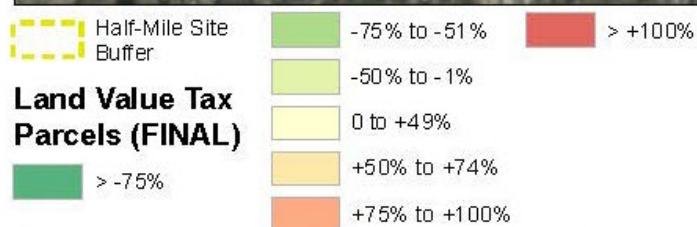
Case Study 9: Cottage Grove P&R



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Case Study 10: Cedar Grove Transit Station



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Appendix B: Land Value Tax Rate Methodology

$$\text{Tax Revenue}_{\text{DISTRICT, CURRENT}} = \text{Tax Revenue}_{\text{DISTRICT, LAND VALUE TAX}}$$

This calculation assumes that taxes within the land value tax district are derived entirely from the value of land after the district is created. This approach results in the simplest tax system. A city may elect to implement a hybrid system, which would result in a different calculation.

$$\text{Tax Revenue}_{\text{DISTRICT, LAND VALUE TAX}} = \sum \text{Land Value}_{\text{DISTRICT}} * \text{Land Value Tax Rate}_{\text{DISTRICT}}$$

This allows us to establish the following formula:

$$\text{Tax Revenue}_{\text{DISTRICT, CURRENT}} = \sum \text{Land Value}_{\text{DISTRICT}} * \text{Land Value Tax Rate}_{\text{DISTRICT}}$$

In this formula, we know the current tax revenue from the potential land value tax district (whatever district that might be) and the assessed value of the land within the district. Using this information, we can calculate the necessary Land Value Tax Rate within the district:

$$\text{Land Value Tax Rate}_{\text{DISTRICT}} = \frac{\text{Tax Revenue}_{\text{DISTRICT, CURRENT}}}{\sum \text{Land Value}_{\text{DISTRICT}}}$$

Once the land value tax rate has been calculated, we can calculate the new tax for each lot in the land value tax district using the formula below:

$$\text{Tax Revenue}_{\text{PARCEL}} = \text{Land Value}_{\text{PARCEL}} * \text{Land Value Tax Rate}_{\text{DISTRICT}}$$



Appendix C: Sales Price and Ratio Charts

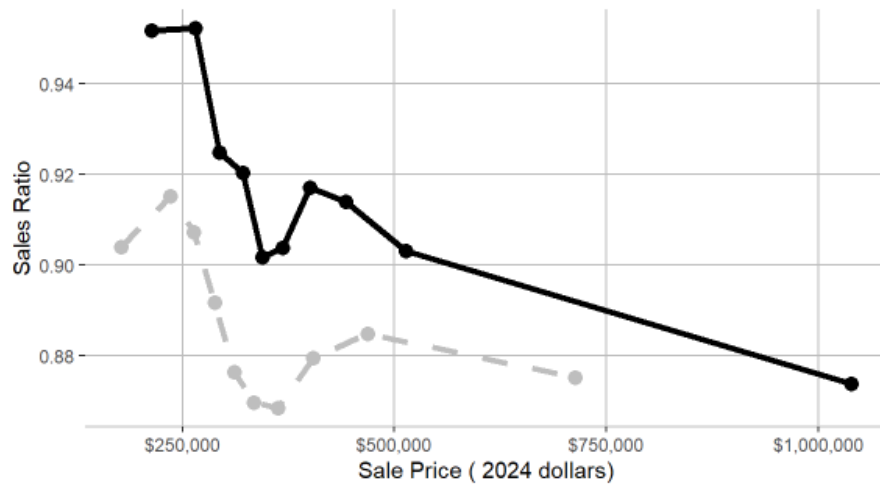


Figure C.1. Anoka County home sales price versus sales ratio. The solid line represents the trend in 2024, and the dashed line represents the average from home sales from 2014 to 2024. Source. Berry, Christopher. 2024. An Evaluation of Property Tax Regressivity in Anoka County, Minnesota. Policy Brief. The University of Chicago, Center for Municipal Finance. www.propertytaxproject.uchicago.edu

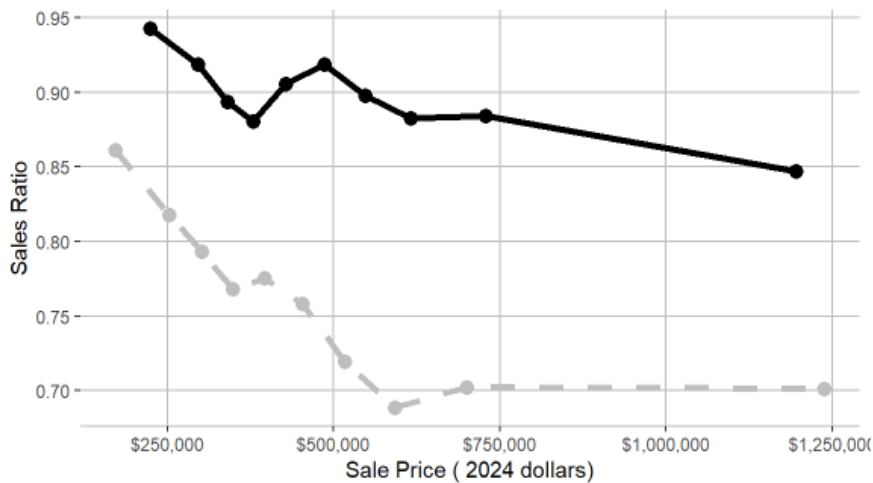


Figure C.2. Carver County home sales price versus sales ratio. The solid line represents the trend in 2024, and the dashed line represents the average from home sales from 2014 to 2024. Source. Berry, Christopher. 2024. An Evaluation of Property Tax Regressivity in Carver County, Minnesota. Policy Brief. The University of Chicago, Center for Municipal Finance. www.propertytaxproject.uchicago.edu



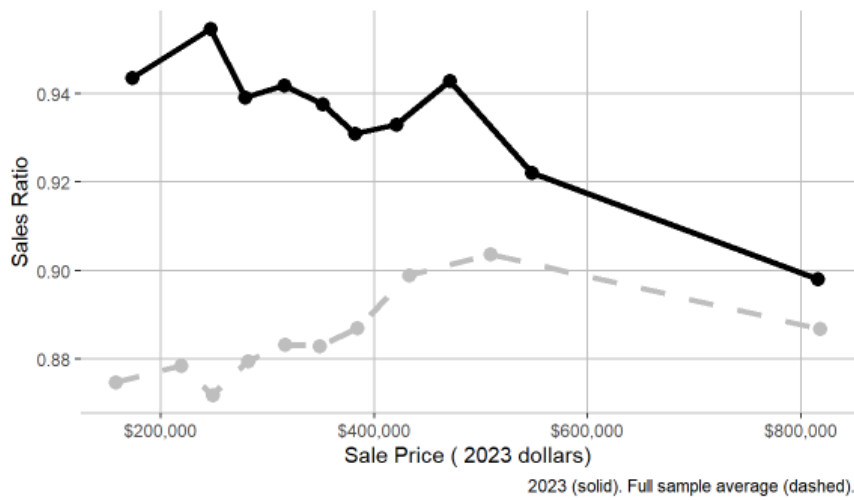


Figure C.3. Dakota County home sales price versus sales ratio. The solid line represents the trend in 2023, and the dashed line represents the average from home sales from 2014 to 2023. Source. Berry, Christopher. 2024. An Evaluation of Property Tax Regressivity in Dakota County, Minnesota. Policy Brief. The University of Chicago, Center for Municipal Finance. www.propertytaxproject.uchicago.edu

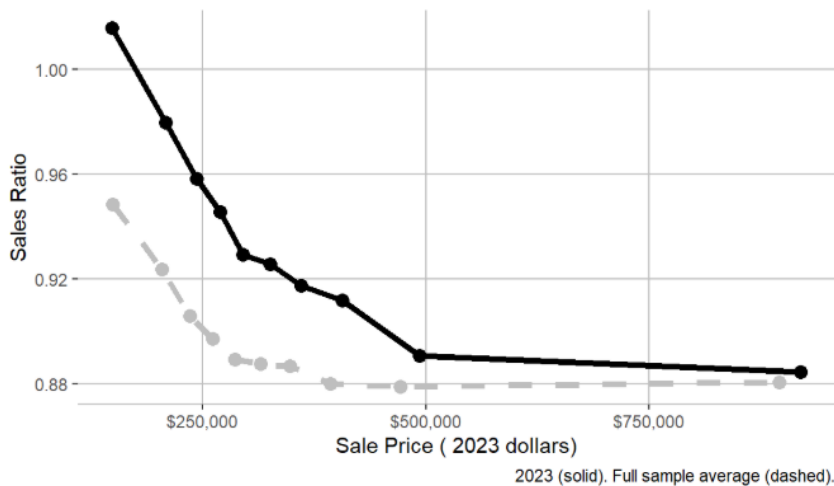


Figure C.4. Ramsey County home sales price versus sales ratio. The solid line represents the trend in 2023, and the dashed line represents the average from home sales from 2014 to 2023. Source. Berry, Christopher. 2024. An Evaluation of Property Tax Regressivity in Ramsey County, Minnesota. Policy Brief. The University of Chicago, Center for Municipal Finance. www.propertytaxproject.uchicago.edu



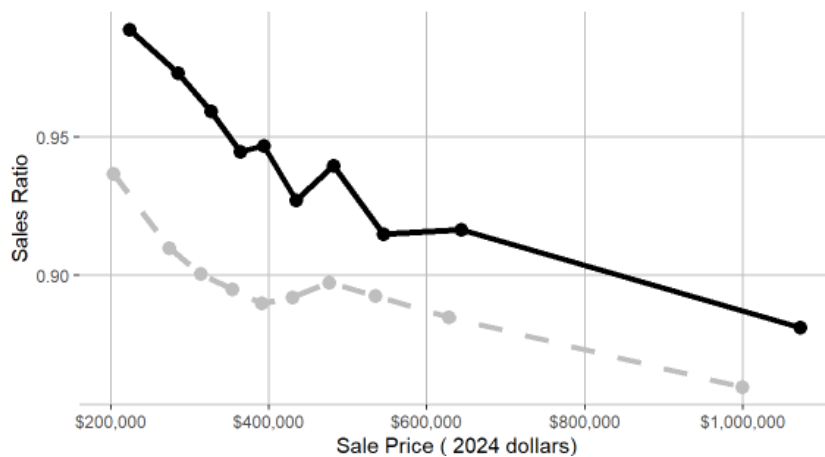


Figure C.5. Scott County home sales price versus sales ratio. The solid line represents the trend in 2024, and the dashed line represents the average from home sales from 2014 to 2024. Source. Berry, Christopher. 2024. An Evaluation of Property Tax Regressivity in Scott County, Minnesota. Policy Brief. The University of Chicago, Center for Municipal Finance. www.propertytaxproject.uchicago.edu.

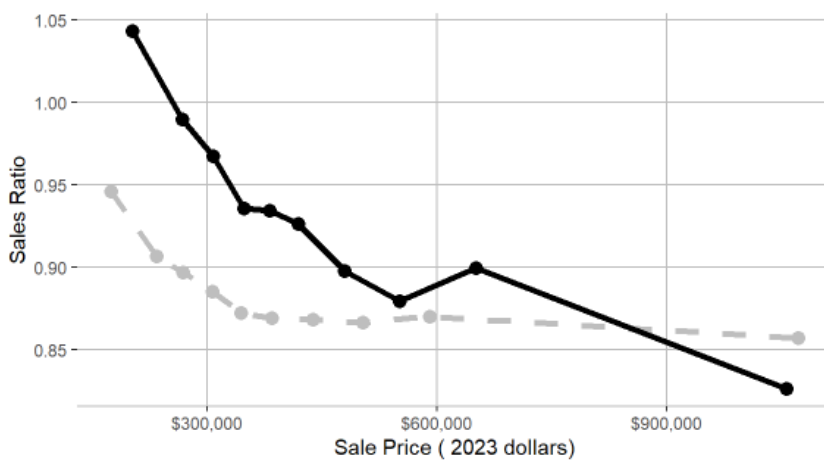


Figure C.6. Washington County home sales price versus sales ratio. The solid line represents the trend in 2023, and the dashed line represents the average from home sales from 2014 to 2023. Source. Berry, Christopher. 2024. An Evaluation of Property Tax Regressivity in Washington County, Minnesota. Policy Brief. The University of Chicago, Center for Municipal Finance. www.propertytaxproject.uchicago.edu.

