

PROSTITUTION is stirring up a new debate on the way in which property values should be assessed for tax purposes.

The arguments are not clear-cut, however, because porn shops and strip clubs can influence land values in both directions — up and down.

In Washington, for example, the sex business on 14th Street is holding down property values.

Developers want to renew parts of this end of the U.S. capital, but rent levels are undermined by the close proximity of the sex business.

Leasing agents say that rents in new buildings around nearby Franklin Square are around \$20 per foot, compared with \$30 a foot a few blocks away.

Washington Post writer Jerry Knight pointed out (Oct. 17): "The big winner, if the porn shops were driven out, would be the city itself. The pace of downtown redevelopment could increase dramatically, pushing up property values — and taxes — and producing construction jobs and office work."

In London, however, the sex business in Soho is pushing rents up.

As rents have risen, local residents and businessmen have found their rates — the property tax — pushed as well.

And this has led to appeals against the assessments, based on the claim that the sex shops have affected livelihoods and living standards.

The appeals have been unsuccessful.

THESE cases amount to the demand from respectable people for compensation for living in a notorious area like Soho.

Professional valuers have some sympathy with their claims, and the Rating and Valuation Association's journal has published an appeal for a change in the law. Enid Harwood wrote:

"If ... innocent ratepayers have suffered a genuine loss of livelihood and quiet enjoyment of their property — the occupation of which provides the basis of their contribution to the local authority's finances — then I believe it is from this public purse that their compensation should come."

Under the General Rate Act 1967, however, assessments have to be determined by "the rent at which the hereditament might reasonably be expected to let from year to year if the tenant undertook to pay all usual

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Report by
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● Sex for sale

tenant's rates and taxes and the landlord undertook to bear the cost of the repairs and insurance."

And all the evidence points to the conclusion that rents go up when respectable people vacate their premises.

The highest bids come from the merchants who purvey sex, which raises the general level of values and therefore revenue from property taxes.

One valuer has challenged the

interpretation put on the law, by arguing:

"The fact that at least some landlords are yet unwilling to let their buildings to operators of sex shops show that the higher rents paid by sex operators are unreasonable expectations of some or most landlords: as long as society brands sex establishments as nefarious, it would not be reasonable for anyone to let his building for the conduct of such trades. There is no requirement to restrict the term 'reasonably expected to mean best expectations in financial terms only.'"

This argument, however, requires assessors to reach conclusions affected by subjective views of what society finds immoral.

The objective fact is that, in Soho, rents keep spiralling up, much to the benefit of borough ratepayers.

SOHO residents complain that they are being driven out by high rents and high property taxes. But far from the case for compensation being a reasonable one, could it be that we should be arguing in favour of full assessments?

Full market valuations might drive respectable people from Soho, but it would have the effect of concentrating the sin into the square mile of London's West End.

This is the dilemma now facing the Washington authorities.

Residents in 14th Street are trying to clean up the locality by trying to enforce liquor and zoning laws, but the District government has not responded vigorously to this groundswell of public opinion. Why?

Explained Jerry Knight: "The trouble is that if the sex shops are forced out of 14th Street, city officials will have to face a more difficult dilemma — where to put them."

Washington officials hope that the sex shops will disperse themselves, but as Mr. Knight reminded them:

"Like the toleration of apparent zoning and liquor law violations on 14th Street, the dispersal theory of sexual city planning is largely a way of avoiding a tough issue.

"Instead of counting on the sleazy entrepreneurs to ooze into the back streets, District officials ought to accept the moral and economic inevitability of the sex business and decide where to locate it."

REFERENCES

1. Enid M. Harris, 'Rating Assessments in Soho — The Problem Arising from the Sex Industry', *Rating and Valuation*, Feb. 1983, p.41.
2. D. C. Sosa, 'Rating Problems in Soho', *Rating and Valuation*, June 1983, p.170.