

6 Instead of trying so hard to identify expansions worthy of a tax concession, why not try taxing land at a significantly higher rate than improvements? Investors who obey the zoning and building laws would then all get the same stimulus to improve their properties and make their businesses grow. Public treasuries would not have to risk speculative concessions for undeterminable results. And the lower taxes on improvements would be regained with higher taxes on land.9

— *The New York Times*, May 13, 1983.

WITH the above words, *The New York Times* endorsed the concept of land-value taxation as a means of spurring development.

● For thousands of land-tax advocates, they offered both a shot in the arm and the hope that years of effort would not be wasted.

● For the man who wrote them, Roger Starr, they marked the first round in an ongoing battle for "common sense" taxation.

"It fascinates me that we go through all kinds of experiments in this city, appoint boards to determine what buildings should be awarded tax abatements, rather than relying on the market *itself* to do the job," he told *Land and Liberty*.

"It seems to me that we should stop penalizing businesses that want to improve their properties and base the property tax on *land*. It's perfectly obvious, isn't it?"

Perhaps not for everyone, as Starr himself admitted.

"I had dinner recently with [New York Mayor] Ed Koch and spoke for quite some time about this idea," he said with a laugh. "The next day I received a two-page letter from the mayor which completely missed the point. He thought I was talking about reducing taxes on *vacant* land.

"Even my editor inserted the word 'vacant' gratuitously in my last editorial. Of course, I'm talking about increasing the tax on land, vacant or otherwise. Many people refuse to grasp that."

**S**TARR'S fellow members on the *Times* editorial board grasped the idea immediately. Indeed, his first editorial met little resistance.

"I had no trouble getting the editorial board to come out for this idea. A colleague who is a very good economist vouched for its soundness. The common sense was apparent, even though most people fail to understand the negative impact taxes have on development."

Since that editorial in May 1983, the *Times* has endorsed land-value taxation five times, usually as a better alternative to city programs meant to deal with the development problem (such as the J-51 and 421-A programs, which freed landlords from tax increases for various improvements for nine- and ten-year periods).

"All these programs, the J-51, the

## The fight to secure effective tax policy

Michael Gavaghan

reports  
from New York  
on the work of

— ROGER STARR —



● Roger Starr

421, they are all partial solutions to the real problem," Starr said with ill-concealed impatience. "And they're all substitutes for its basic solution — that we should stop penalizing developers. The locational values of land, which society created, should bear the tax burden *all the time*. Not just in specific cases."

In recent years, tax concessions for new construction have been granted on a case-by-case basis by the Industrial and Commercial Incentive Board. The criteria were:

- Will the construction take place in the targetted area?
- How many new jobs will be created?

- Will the developer build even if they do not get the concession?

Inevitably, the ICIB came under fire for handing out unnecessary giveaways, allowing political pressure to shape decisions, and catering to particular developers.

Recent programs put forth by Mayor Koch and his deputy for economic development, Kenneth Lipper, would remove the discretionary nature of the process and award the concessions automatically. According to Starr, the mayor is "on the right track, but not going far enough."

"Doing away with the discretionary factor is a good step," he said. "But I wish they'd get rid of all discretion. There is no need to target areas which need development — the marketplace can handle making those distinctions without the mayor's help."

**S**TARR does not put much stock in an often-posed alternative to LVT: gradually lowering assessments on improvements while raising them on land. He feels such attempts to "get around the basic issue" distort the true picture.

"You know, the idea of changing the valuations of sites, the idea of altering assessments, is flawed," he said. "I'd much rather change the rate of taxation for land and improvements than change specific valuations."

He believes the alternative would be prone to the kind of suspicion that doomed the ICIB.

However, he supported a Koch/Lipper proposal last November that would value for taxes all large commercial buildings at 45 percent of their discernible full value, thus restoring an element of fairness to the assessment process. Previously, office buildings were valued at 60 percent of their sales price whenever one was sold. Thus, rents in affected buildings rose, discouraging the influx of new businesses. Starr called the idea "the next best thing" to a two-tiered tax rate.

His support of such proposals is hard-won. As former commissioner of the New York City Housing and Development Administration, the problems he tackled were even more immediate than the need to foster

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## BANKS GO BUST!

LAST YEAR 48 U.S. banks went bust, and many are expected to fail this year, because of imprudent loans — mainly to property developers and the energy industry.

This is the largest collapse of banks since the Depression of the 1930s. There are now 650 banks on the Government's problem-list.

## PROPERTY VALUES

● THE TAXABLE value of New York City property has been tentatively set at \$48.933 billion, an increase of \$3.222 billion over last year. Of about 858,000 properties in the city, assessment changes were made in 500,975.

## SINDONA FACES MURDER CHARGE

ITALY want to prosecute Michele Sindona, who was imprisoned by a New York court in 1980 on fraud charges stemming from the collapse of the Franklin National Bank.

Sindona's troubles stem from speculative land deals in the 1970s. Italian police want him to stand trial for the murder in Milan of a lawyer who was serving as bankruptcy trustee for another Sindona-controlled bank in Italy that had collapsed.

Hampshire's usable area off the economic market — a shrinking supply in the face of an expanding demand.

The real vitality in farming and forestry is coming, ironically, from the opposite direction.

New Hampshire, as not enough people know, is the state which depends more heavily than any of the others on site value as the source of revenue for state and local government. We have neither a general sales nor an income tax. The property tax is, by a factor of six, the largest single source of money, and about one third of it comes from the value of site.

So the claims that site value taxation will stimulate an economy are nowhere better supported in practice than in New Hampshire, which also happens to be unique in another way.

We are the fastest growing state in the country, outside of the sunbelt. We are the only state in the east, except for Florida, where a majority of its residents were born elsewhere and came here by choice — voting with their feet.

It is this inflow of people, attracted in part by a tax climate that comes closer than any other state to site value taxation, which is revitalizing the farms and forests.

We mingled with them on that best-attended final "Family Farm and Forest" day of the Exposition. We joshed them, talked chain saws with them, and listened carefully to what they had to say.

And as a newspaper editor who has the same reason other editors have to use and reuse the words, "unemployment, hunger and slums," we kept thinking of something Thomas Jefferson said two centuries ago.

If in any country, he said, there are "uncultivated lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural rights".

Jefferson thought that, given access to land, the American people would prosper. They did prosper, too, so long as the vast, stretching public domain held out. They were as nearly a "free people" as any who have ever lived on the earth, and while they had land, liberty was real.

Historian Frederick Jackson Turner explained all that years ago. But he warned that once the frontier was gone, and the free land was used up, America would have to turn to an "adjusted liberty".

Henry George, though, in whose works Turner found so many of his ideas, said that yearning within the human breast to create his own job, to produce his own food and build his own decent shelter, would be nurtured by site value taxation.

Well, the yearning is there. Even now, half a century after the public domain was closed. We've seen it. We've felt it.

Among the thousands at New Hampshire's first-ever Family Farm and Forest Exposition, we were engulfed in hard evidence that he was correct.

## ● TAX FIGHT: from back page

development.

"When I was the housing commissioner in Mayor Beame's administration, our problem was imminent bankruptcy," he said. "That took precedence over taxing land values."

Yet despite not having a chance to bring common sense tax policies out of the closet and into New York's consciousness while working at City Hall, Starr continues to fight taxes on improvements. And he has no illusions about its implications.

"Look, this concept is not going to solve mankind's problems, or even New York's problems. But the question remains: How in the hell are we going to get the maximum reasonable development of the land in this city?"

"It seems to me that the land tax is the best answer."

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Editor Dr. ASHLEY DABSON

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