

# "Crisis Help"

by OSCAR B. JOHANNSEN

"THE tax money spent for urban renewal purposes — even if it expands to three billion dollars yearly . . . can be no more than seed corn in the revitalizing of our cities. The urban renewal program cannot have the purpose of 'doing the job'; it must be designed to create an atmosphere in which private capital will do the job." So wrote Robert A. Futerman, a young, successful real estate man in 1961 in his book *The Future of Our Cities*.

Not only will this seed corn of tax money not do the job—but in many instances it is aggravating the problem. For example in Elizabeth, New Jersey several urban renewal projects have been languishing for years with nothing to show for the money already spent but huge areas of vacant land. The people were dispossessed and decrepit houses were destroyed, but only one thing has been built—mountains of red tape. Meanwhile the pressure on existing dwellings is hastening the decay of other areas, particularly the low rent neighborhoods.

Study after study has purportedly been made by the federal government, as well as state and local authorities, on ways and means of eliminating slums. Matters have degenerated to such an extent that the New York Herald Tribune has had a series of articles entitled "New York City in Crisis." This newspaper has actually gone to the unusual length of requesting "crisis help" by soliciting suggestions from the general public for rescuing New York from the decay which is slowly strangling it.

Mr. Futerman has put his finger on the real solution, which is to let private enterprise "do the job," and he gives cases which prove what can be done with the proper incentives. One

is the spectacular redevelopment in Kansas City atop Quality Hill. This was at one time an exclusive residential area, as its name indicated, but it had gone to seed. Now, however, it has a forty-acre park, an office building, a private club and five attractive middle-income apartment houses. All of this was the result of private enterprise. The inducement? A ten-year exemption from taxes on the improvements! The only taxes which are paid during this period are those levied on the value of the land as it was before the new buildings were erected. For another 15 years the development will be taxed on one-half the value of the improvements. Thus, only after 25 years have passed will this project be forced to suffer the usual tax procedures.

If the Herald Tribune is serious in searching for a program, all it need do is to study one now generally known as the Graded Tax plan which originated in Pennsylvania. Variations of it have also been adopted abroad. This is a technique for shifting taxes from buildings to land over a specified period of time to avoid the confusion which might occur if the change were made suddenly.

The National Association of Housing and Redevelopment has become aware that "property taxes designed to make slums unprofitable are now used by New Zealand, Australia, parts of Canada, South Africa and other countries . . . A joint U.S.-British-Canadian study group reported last year that in nearly every case the switch to this type of property taxes was successful."

Here NAHRO puts it in a nutshell: "the slum-punishing tax assesses property on the value it would have if used for its most valuable purpose, called a 'site valuation.' Buildings or other im-

provements on the land are not taxed —only the highest potential land-use. Under most property tax systems in this country, the assessment is on the value of the land plus its improvements, so slums pay less property tax (though they are a greater drain on city resources) than the property kept in good repair. This would not be true under the 'site valuation' tax."

To eliminate slums, tax the value of the land based on its highest potential and remove all taxes on improvements! Most businessmen would understand this reasoning, for they know that taxes can build up or destroy depending on whether the incentive is creative or otherwise. But they would also tell you that one of the main blocks to tax reform is the difficulty of stirring up enough people to bring pressure on the various legislative bodies involved. In New Jersey, for instance, no community would be permitted to tax land on a different basis from the improvements. Therefore no reform program could be instituted until the state laws were changed to permit local communities

to remove taxes from improvements while taxing the land value. Pennsylvania was the first state fortunate enough to have a law permitting cities to adopt land value taxation. The fact that so little use has been made of it proves how poorly informed the public is.

If "crisis help" is needed, it is here, in this formula. Couple it with elimination of such restrictions as rent control (which still exists in New York). Then utilize power and prestige to explain the method and purpose, so the legislation can be understood and passed. Any newspaper taking on such a campaign would be doing a historic service to mankind. If businessmen were given the facts and the freedom to act on the tax incentives of a Graded Tax they could easily eliminate slums within a decade.

What this amounts to is merely a direct application of the concept of profit which built America and made it the most progressive industrial country in the world. Eliminate slums? Simple. Make their elimination profitable.

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**We must act now! Every serious student of LVT has been watching with interest the attempt to get one initial U. S. city to test the effectiveness of land value taxation. Only an honest test will prove the merit of this vital reform to the skeptics. As long as the only working examples are in other countries, and there are no actual cases here, we face the prospect of action postponed far into an indefinite future.**

The group of Erie citizens have worked hard — they need help now, and money — with lots of enthusiastic encouragement. If this effort fails owing to indifference or lack of team effort we may not have another chance.

The "Eltas" thank HGN readers for their help, but at this crucial time there is an urgency. Activity, courage and sacrifice are vitally important. They can keep up their crusade just so long — and they need cooperation.

This is worth doing. Send your dollars, with cheer and confidence, to W. Wylie Young, 2217 Peninsula Drive, Erie, Pennsylvania.

The Tax Reform Association of Louisiana, Inc. is now actual and active, with headquarters at 139 St. Denis Street, in Natchitoches, Louisiana. The credit for TRAL goes mainly to Dr. Robert Andelson, a professor of government, formerly director of the Henry George School in San Diego.

This non-profit, non-partisan, public service "for the betterment of Louisiana," has on its board of directors, besides Dr. Andelson, an architect, optometrist, pastor, builder, journalist, attorney and publisher, theater owner, department store owner, professor of agriculture, and housewife.

TRAL's thoroughgoing reform in public revenue policy is based on a three-fold approach to tax and assessment improvement. Look for an article by Dr. Andelson in the April HGN.