

TELL THE TRUTH!

DC's chief accuses
land tax campaign



• Harsh accusations: John Wilson, chairman of the Finance and Revenue Committee

JOHN. A. WILSON sits in one of the hottest political seats in local government. Few people have heard of him, but he chairs the Finance and Revenue Committee of the council that runs Washington, DC.

Mr Wilson held public hearings, on January 29, to take evidence on proposals to change the property tax. And he had powerful words of criticism for those who wanted to shift the tax burden onto land values. "Tell the truth!" he admonished the proponents of tax reform.

Mr Wilson had sat through nearly 10 hours of testimony, listening to the slick spokesmen for the mainly white-owned, high-value properties. They did not want a higher tax on land values. They wanted a cap on the property tax - which, Mr Wilson was not told, would increase the value of their properties.

So after patiently listening to the advocates for the wealthy,

FRED HARRISON reports from Washington

Mr Wilson was ready for a change of tack. He wanted to hear how reform of the property tax could help the mainly poor, black families who rent their homes. He was disappointed: the case, as it was presented to him in oral evidence, was far from convincing. And he said so.

The advocates of a higher tax on land values claimed that more low-cost housing would become available if owners were penalised for hoarding empty properties and not penalised for improving the quality of the housing stock.

Mr Wilson struggled to understand how this would come about. He appeared to be sincere, his probing questions giving the reform advocates every opportunity to explain how the economics of real estate

could work to the advantage of the poor. In the end, he accused the reformers of going around the District of Columbia selling their proposal "in an unfair and unethical fashion."

Without using the word "Liars!" Mr Wilson was barely able to control his temper when he suggested that "It would be useful for people who go round selling this proposal...should tell the truth."

WASHINGTON is a city under stress. Its mayor, Marion Barry, is indicted for using drugs, the largely black residents are killing each other in the streets at a record rate, and the council has a budget spending requirement that it cannot square with revenue.

Many of the low-income, black families live in squalor. Homelessness is an acute pro-

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• Community activists: Peter Farina, left, and Ned Stone in one of Washington's derelict residential areas

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blem. Yet the city has 8,000 privately-owned houses (67% of them single-family homes) which are boarded up. And there are 4,000 publicly-owned houses similarly bricked up and beyond the reach of needy folk. On top of that, over 11,000 sites suitable for development stand vacant. Some of those properties have stood neglected since the riots of 1968, havens for the drug pushers who rule many of the neighbourhood streets.

I visited some of these locations with Ned Stone, a black community activist, who said: "Marion Berry was much more interested in providing incentives and [tax] breaks for developers and real estate owners, as opposed to poor people. Working class people will continue to suffer until their leaders have their interests at heart. That's the way it is, in this town." Of the proposal to reduce

the property tax on buildings, he said: "It's a start. It will take time to catch on. It's been demonstrated in many towns in Pennsylvania."

In a dozen cities in Pennsylvania, today, councils have begun to untax buildings and draw more revenue from the value of land. This one fiscal reform, argue its advocates, leads to urban renewal.

WHEN Mr Wilson opened his public hearing, the next day, he was well briefed by the opponents of this reform. Their sheaves of evidence favoured a simple formula - put a cap on the taxable value of properties.

The statistical and legal arguments were persuasively presented, which was to be expected from lawyers, professional assessors, and PR consultants. One of them, Alan Wasserbach, is vice-president of finance for The John Akridge

Management Company, a real estate development and management company which owns and manages 2m square feet of office and retail space in downtown DC.

The two-rate property tax proposal - known as Bill 8-255 - "will increase the tax burden to commercial property owners which has already increased at a rate greater than rental rates since 1983," he insisted. "The proposed law would greatly shift the tax burden within the commercial property community.

"Some property owners would suffer huge tax increases and other property owners would receive reductions. It is not fair to shift a tax burden within the commercial property owners' community so dramatically in one year. The results could cause one owner to have a competitive advantage over another."

His company would lose \$1m, he explained, because while

seven income producing properties would be better off to the tune of \$500,000, the tax burden on their four tracts of raw land would increase by \$1.5m.

Opposition also came from Harold Thomas, Director of the council's Department of Finance and Revenue, who argued that it is difficult to accurately assess the value of land:

"Because of the inherent difficulties in implementing a differential tax, the questionable and unknown impact of the differential tax on the real estate market, and the availability of more direct approaches to achieving desired societal goals, the department strongly opposes the enactment of Bill 8-255."

To comply with the law, Mr Thomas' assessors do place a figure on the value of land underneath each building. However, he did not have confidence in the accuracy of those assessments. Land value, therefore, was an unreliable base for a differential tax rate.

"Differential rate taxation, also called land or site value taxation, has been proposed in the US since at least 1879," explained Mr Thomas. "In that year, Henry George published his treatise entitled *Poverty and Progress* (sic) advocating a single tax on land for the purpose of redistributing the wealth created by owners of large tracts of land.

"His intent was to tax wealthy landowners to help relieve the poverty that existed then. Since that work was written, however, society has changed. There are no longer large undeveloped parcels of land in most large cities, certainly not in the District of Columbia. We now have laws that tax both land and improvements on land, and that provide tax relief to the poor and incentives for economic development."

Mr Thomas was not imp-



• Henry George

ressed by the empirical evidence of the two-rate property tax in Pittsburgh. And he argued that advocates of this policy "have not provided a complete economic analysis of the effect of the differential tax on the present DC real estate market, taking into account how this market would be affected by the legislation."

THE RACIAL dimension to the housing problem loomed large in Mr Wilson's mind. His claim that black families who rented their homes would be ejected from their properties if the property tax was restructured went unchallenged. He also said:

• "You will be surprised how many minority groups own their property, who will be forced to sell or can't get finance to develop the property."

• Property owners "would be encouraged to tear down low-rental sub-standard apartments and build upscale housing which they would pay less taxes for, I don't understand it."

• A reduction in the tax on buildings did not mean that "more low income housing is

going to be built. I don't want you to tell people that this will occur when you have no evidence."

• "What you are proposing will bring extreme hardship on the low income people in this city."

• "People come with the approach that this is a pro-housing proposal for low income people, but that's unfair because it's not necessarily that at all."

• Noting the number of vacant properties in the city, he declared: "Many of those houses are owned by minority groups which cannot afford to borrow the money to do them up."

FAMILIES are being driven out of Washington by the price of housing, Mr Wilson acknowledged, but he could not see how a higher tax on land values in preference to the public provision of homes at subsidised rents would reverse the trend.

"We are wary, at this point in our lives, of offering cheap solutions," he declared.

He suggested that, of greater importance than land values was the "redlining" issue - in which financial institutions boycotted particular areas: the black ghettos. "If this land becomes available, where will I get the money to pay for it?"

To arguments that reflected the philosophy of justice contained in Henry George's book, Mr Wilson bluntly retorted: "What do you mean, the land belongs to everybody? Because there are a lot of people out there who think the land belongs to them that their house is on!"

It was at this point that Mr Wilson rebuked the land value taxers, suggesting that they "should tell the truth." He did not want "simplistic" statements, he insisted.

The case for the land value tax, as presented to him at the

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hearings, had plainly failed to carry conviction. He said that he had "tried to figure out how it will redistribute wealth," but could not work out the answer. The depression of the Thirties, he recalled, had failed to transfer land from its owners. "I don't understand if the wealth didn't change hands when the value was depressed to almost nothing, it's going to change hands at this point."

The tax reform, he suggested, could not be implemented "in a racist environment." It was a black and white issue, he insisted. He was satisfied that many black families would be forced out of some areas, if the land tax worked in the way suggested by its advocates.

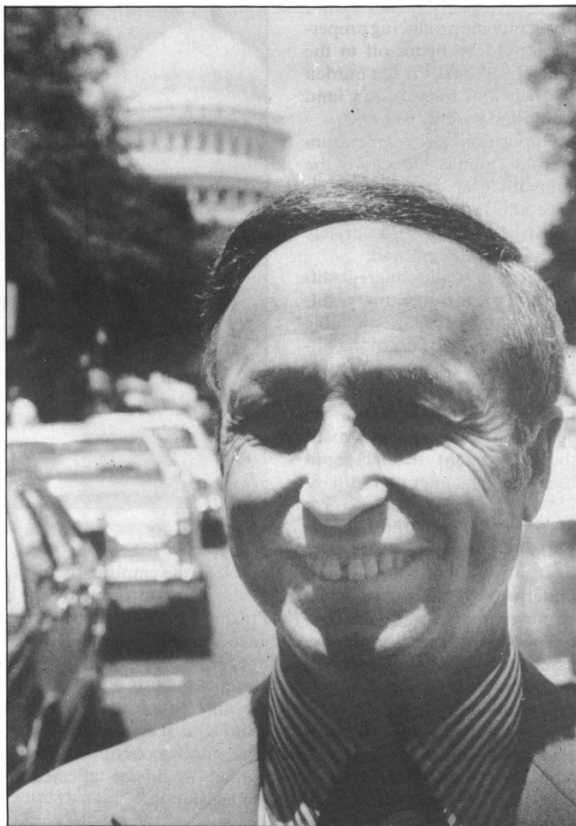
ALL WAS not lost for the tax reformers, however. Something remarkable happened to Mr Wilson's outlook on land taxation, in the few weeks following his original public hearings. For by March 16 he had come to the view that vacant land, at least, ought to bear a heavier tax.

A similar conclusion had also been reached by Mayor Barry, who announced his support for the proposal after leaving the clinic where he was receiving treatment for drug abuse.

"We take this as a recognition that what we have been saying has had an impact," reports Walt Rybeck, of the Center for Public Dialogue, who has worked hard to form a coalition of pro-tax reformers in the capital.

And on March 16, at public hearings staged to discuss how to raise revenue to finance city programmes, Mr Wilson was handed a 27-page rebuttal of the errors and misconceptions that were aired at his original hearings.

This submission was backed up by evidence from William Simons, President of the



• Enhanced status: The Public Dialogue Center's Walt Rybek

Washington Teachers' Union. He argued that a restructured property tax could raise sufficient revenue for the council. The reform would also reduce the burden on home-owners, and a plan could be devised to help renters.

Another powerful argument in favour of the two-rate tax, said Mr Simons, was that it would create incentives to offset the downturn in economic activity which now threatened the capital. This contrasted sharply with the alternative taxes, such as higher income taxes and a variety of "nuisance taxes", which the advocates of tax reform claim would drive people

out of town. Mr Wilson appeared mollified.

Reports Mr Rybeck: "Mr Wilson said, 'Some people are telling me that your idea is the best invention since sliced bread, but others have raised serious questions about it, and I want you to get together with the Revenue and Finance Department, and the Board of Trade and the Citizens for Fair Assessments, and come back to me with a proposal that we can look at.'

"This gave us more status than we have had in the past," said Mr Rybeck. "We are now included in the planning process."