A tale of two cities

For the past year I have been looking at two cities linked by geography and history and separated by politics and a body of water. No, not Paris and London, yet, the cities' unfolding tragedy offers insights to our times and concerns.

Facing each other across the southern end of the Hudson River are the downtown skyscrapers of New York City and the wharves, lofts, and what appears to be acres of empty space in Jersey City, New Jersey. It might seem foolish to compare a municipality of 270,000 (the second largest city of one of the smallest states) with the dramatic skyline of our biggest city and one of the great urban centers in history. Yet, what happens to and in Jersey City and New York has immediate effects on both and their interdependence (largely ignored by the larger metropolis – often feared by the smaller municipality) may have as much to do with their respective fates as the separateness of their jurisdictions.

Big, powerful and rich as it may be, New York City and its fiscal, governmental, and social crises have dominated the news. The inability to pay for services and the extraordinary reliance on borrowing against the future, has forced the big city to its breaking point. By contrast, Jersey City, with much less fanfare, has had to impose new taxes and cut services just to stay alive, without even pretending to do an adequate job of service for its overwhelmingly poor and working class population. Unemployment in New York City has reached dramatic double digit levels. Public assistance, in its various froms is now paid to one out of eight New Yorkers. Yet, dismal as these statistics may sound, they would be welcome in Jersey City where unemployment and indigence have been the basic facts of life in the modern era.

Raped simultaneously, and some say conspiratorially, by the legendary corruption of its late Mayor Hague and the greed of the railroads that took vast chunks of the city out of productive use, Jersey City never really enjoyed any prosperity to speak of. The residential building boom that created new luxury apartments in the 1920's on Manhattan's East and West Sides and on the parkways and boulevards of Brooklyn, The Bronx, and Queens had but faint echo on a short strip of Hudson Boulevard in Jersey City, still the best-looking street in town. The office building boom of the 50's and 60's that helped New York in its transition from seaport and manufacturing center to headquarters city, never really happened at all across the river. By the time a few office buildings went up in Jersey City, the boom had burst, so that today there is plenty of vacant office space on both sides of the Hudson. And while brownstones and other turn-of-the-century homes are restored at extravagant cost in some of the inner city neighborhoods in Manhattan and Brooklyn, townhouses within five minute ride of Wall Street go begging in downtown Jersey City. The most spectacular view of the twin towers of the World Trade Center is commanded by a stretch of nearly vacant waterfront property in Jersey City, an abandoned pier of railroad yards or a tract slated for an urban renewal that may never take place in our lifetime. Even the Statue of Liberty faces the harbor with her back to Jersey City.

Despite these appearances of contrast between poverty and wealth, super development and underutilization, both Jersey City and lower Manhattan are at the very heart of the biggest, most lucrative human market in the western world. Transportation by air, water, rail, and road in this center of the northeast corridor is almost unexcelled. And land values are substantial, even for the vacant parcels of Jersey City. But while it is more expensive to buy and own a piece of New York, it is relatively more expensive to build and maintain a piece of Jersey City. Land value taxation of course does not exist in either jurisdiction. In both New York and New Jersey improvements are assessed at something like three times the rate for land as a percentage of market value. And while the rate is uniform on land and improvements in both jurisdictions, the total tax rate in Jersey City has been above eight per cent for a decade or more, a level New York will reach only this fiscal year as a consequence of its budgetary crisis. One might fairly predict that with a tax rate of over eight dollars of assessed valuations and with some thirty million square feet of office space vacant, New York City will now experience as little new building as Jersey City has suffered almost this entire century. For the hard truth is that the total amount and not the equities of taxation is what influences the economic decision to invest, to develop, to improve and to locate.

The Advisory Committee on Intergovernmental Relations, which has probably done more work on the property tax nationally than any other organization, has been trying for some time to promote some reforms. John Shannon, the Assistant Director of ACIR, has pointed out that where the effective rate (the percentage of annual tax paid to true or market value) exceeds two per cent – which over the lifetime of a building may mean a fifty-sixty per cent sales tax – the most important reform is really relief. No investment is possible at confiscatory rates of taxation. I have reluctantly come to share this view. Much as I believe the burden of the property tax must be shifted off improvements and on to the site value, I cannot envision reform in this or any other direction taking place until and unless the property tax, in those jurisdictions that rely on it heavily or exclusively, bears no more of a burden than the people can willingly afford. Already we are seeing limitations placed on property taxation either through constitutional debt limits, statutory circuit breakers, preferential assessments and local abatements and exemptions that seem to multiply as the need for rateables grows. Every one of these partial relief measures serves only to increase the property tax burden of those who do not enjoy the particular benefit. Even the well-motivated desire to equalize educational opportunity by removing the school finance burden from the property tax has the unfortunate consequence of redistributing that burden of inequality in the other areas of public service and private wealth, in health, housing, law enforcement and recreation for example, all of which may have as much to do with education as school itself.

Just as we know there is no such thing as a free lunch, we must accept the fact that there is no such thing as a single, easy solution. Any tax must be measured on the basis of 1. adequacy to produce the revenue required to perform the public service; 2. the equity with which the burden is distributed among the taxpayers; and

(continued on last page)

Geza C. Szmak

Geza C. Szmak died May 3 of this year. A long-time supporter of land value taxation, he was a construction surveyor with offices in New York for 52 years and had been engaged by most of the leading architects in this country and abroad. His publications, such as "Specification for a Better World," were devoted to freedom and economic opportunity. Born in Hungary, he would have been 79 next month.

Erratum

The headline "Trustees and officers reaffirmed" was in error. The story merely stated that "the Board of Trustees will continue in office." This is in keeping with the by-laws which provide that "They (trustees) shall be elected at the annual meeting of members to serve for one year or until successors shall be elected and qualify."