

PHILADELPHIANS ENRAGED BY ONE SPECULATOR'S GRAND PROFITS

Philadelphia real estate mogul Samuel A. Rappaport has been all over the Philly news this April, because of the particularly egregious extent of his speculative practices, which tie up a great deal of prime downtown locations in unmaintained blight, until their value appreciates. This "master real estate speculator has made millions of dollars in Center City over the last 30 years. In so doing, merchants and others say, he has hurt businesses trying to survive the recession, hampered efforts to revitalize Center City, and damaged the face of Philadelphia." In their Sunday feature article in the Philadelphia *Inquirer* on April 4th, writers Ginny Wiegand and Anthony Wood listed the most telling Rappaport statistics: his Center City holdings take up as much space as 600 rowhouses. He owns 54 buildings, and 28 of them are in poor condition. Ten are fully occupied; 22 are vacant. Overall, the vacancy rate for his buildings is 75 percent.

WHAT TO DO ABOUT THE RAPPAPORT SITUATION? Students of Henry George are not hesitant in their recommendations. This controversy has made Philadelphians take note of the problem that is endemic to every great city in the United States. There are thousands of Rappaports; they simply don't usually make the evening news. Since a school does exist in Philadelphia which analyzes the problem of land speculation and proposes a solution for it, it seems likely that the Rappaport flap might lead some reporter to that school - and in fact, *Inquirer* reporter Craig Stock devoted most of his "The Economy" column on April 7th to the LVT solution. Mr. Stock's information came from Philly HGS Director Mike Curtis, although Mike's name does not appear in the article. Although the average Philadelphian was only lately concerned with land speculation, the School had been doing its homework on the subject. Stock cites the HGS in reporting that *(continued on back page)*

put them to minimal use, if any, and then to sell them sometime later for three to five times the original price. The *Inquirer* authors quoted the owner of a boutique across from one of Rappaport's buildings: "It's like he's systematically out to destroy the city."

If so, he is not the designer of the system. Rappaport may be the biggest, baddest land speculator in Philadelphia, but he is not the only one. Indeed, huge areas of vacant land fester in the city, especially in blighted North Philadelphia, where entire neighborhoods are abandoned. In fact, Samuel Rappaport's standing in the community is such that many are hesitant to criticize him, including Philadelphia Mayor Edward Rendell, who received a \$40,000 campaign contribution from Rappaport. Former Mayor William J. Green put these doubts into words for the *Inquirer* article: "You can't really stop somebody from buying a property. That's the core of what America is all about."

Unable to stop buyers from buying, Philadelphia has watched with sadness and growing outrage as the Victory Building, an architectural masterpiece that was a major attraction at the Centennial Exposition in 1876, has fallen into dangerous decrepitude during nineteen years of ownership by Rappaport. Pledging, then, to fully restore the building, Rappaport proceeded to do nothing at all with it. A 1982 first-floor fire further damaged the historic building; now the Licensing and Inspection Bureau repeatedly cites the owner for dangerous falling glass, and the entire interior has been scavenged. Last-ditch efforts are being undertaken to stop the building's demolition - although many think that was Rappaport's objective all along. The owner appealed for lower property tax assessments, citing the dilapidated condition of the structure. But: although in 1991 Rappaport appealed the city's assessment of the property at \$2.61 million as being unreasonably high, his selling price for the property remains firm at \$5.5 million.

And he may get it. The last word in the Victory Building article was given to Terry Gillen, deputy commerce director and coordinator of a mayoral advisory panel on what to do about the Victory situation. "Everyone's looking for us to pull some rabbit out of a hat, but I'm hopeful we will because this building is near the convention center. I think that as soon as the convention center opens, somebody's going to figure out that it's a great location."

RAPPAPORT *(continued from page six)*

if the same amount of property tax revenue were to be collected from a tax on land only, the tax on the Victory Building would rise from \$49,147 a year to about \$149,000! Not what Mr. Rappaport wants to hear, but good news for Philadelphians!

Nevertheless, Stock's endorsement of the idea is lukewarm. Although he concedes that the reform "might be worth a look," he notes that the reform would discourage activities, such as warehousing, auto dealerships, and (!) oil refineries, which use lots of land but have relatively cheap structures.

Mike Curtis, however, has a bit more to say than that. One might question, he suggested, the appropriateness of such low-intensity land uses as warehouses and auto dealerships in a bustling urban economy; perhaps the existing tax system is the largest reason why they exist so close to the commercial center. As for oil refineries, Mike notes that "what's good for the oil refineries ought to be good for everyone else. The huge value they have in tanks and fixtures is already exempt from the property tax, and their land value is small compared to commercial land. Eighteen per cent of Philadelphia's revenue comes from the property tax, but 14% of revenue comes from the taxes on buildings. Obviously, the oil refineries have a sweet property tax deal, compared to other city businesses."

Rappaport - who has also won fame over the years as a philanthropist, giving large sums to, among other things, the Foundation for Architecture and other historical preservation agencies - is no victim of bad luck. His high vacancy rate is clearly a profit-making strategy, and a successful one at that. His M.O. has been to buy Center-City properties, apply little or no maintenance to them,