

Taxing Land

An Intimate Message

By Harlan Trott

SAN FRANCISCO

Many housing authorities, private and public, seem to feel that the enormous federal funds being earmarked for the cities to stimulate slum clearance, low-income housing, and urban renewal are only a drop in the bucket.

This outlook is being aired in California where the "population explosion" is exerting strains on housing beyond the ability or incentive of private enterprise to cope with. That word "incentive" is looming up here conspicuously, too, in a measure before the California Legislature designed to spark private initiative in this field. Right now it is holding hearings on a measure which, if eventually approved by the people and local governing bodies, can result in removing local property taxes from houses, building, improvements and personal property. At this stage the proposal is Assembly Constitutional Amendment 43.

The measure is entirely permissive. It is enabling legislation. Under California law, local governments must tax land, improvements and personal property at the same rate. If the proposed amendment is adopted, localities will be allowed to reduce or remove the tax on buildings, and apply a higher tax rate to land value. This power is now available to cities in Pennsylvania, having passed in the Senate there unanimously and in the House with only three dissenting votes.

Proponents of ACA 43 say the measure has three strong appeals: They claim if the idea is applied properly it will provide incentives to build and thus benefit the state's economy by spurring the building industry.

Second, the statement is made that it will bring tax relief to hard-pressed owners of improved property, mainly homeowners, but also including business and industry. Much talk has been heard in California of a property owners' "tax revolt."

Third, proponents say it adheres to California traditions of: (a) home rule; and (b) policies against the holding of unimproved land which is mentioned in the

state Constitution in so many words.

The California Labor Federation has designated ACA 43 a "good" measure, and the proposal also has the support of some county assessors, city and state officials, and home builders.

A two-thirds vote is required in the Legislature to pass ACA 43 and make it a ballot proposition for the 1962 general election.

Something almost in the nature of a "crusade" is evident, too, in the nationwide attention which Pierrepoint I. Prentice, Editor and Publisher of *House & Home*, leading magazine in the building field, is giving to the slowdown in the building industry.

A frequent visitor to San Francisco, the vice-president of Time, Inc., believes the high cost of land in the cities and suburbs is a major factor in the housing lag all over the country. For that reason he is keenly interested in legislation designed to take taxes off buildings and improvements.

Warning that slums are spreading faster than new homes can be built to replace them, Mr. Prentice thinks we ought to find out "why the profit motive is harnessed backward, and why cities subsidize slums by undertaxation and penalize improvements by overtaxation." He says the No. 1 reason city land costs too much is because city land is "so underassessed and undertaxed."

Mr. Prentice points to the 1960 report of the mayor's special adviser on housing in New York. "The \$2-billion public housing program here has made no appreciable dent in the number of slum dwellings. No amount of code enforcement will be able to keep pace with slum formation until and unless the profit is taken out of slums by taxation."

Mr. Prentice insists that "if local governments are powerless to meet the problem, it is high time the federal government took a hand. A stiff federal ad valorem tax on today's market price of land (like the land tax levied five times in the first 100 years of the Republic) would . . . offer the two-fold advantage of (1) deflating land prices . . . and (2) providing more than enough money to minimize the need and pressure for further financial assistance to state and local governments."

This former business manager of *Fortune* magazine adds that "a land tax is almost the only practical tax that can be counted on to lower prices and stimulate consumption instead of raising prices and inhibiting production."