

## Workshop tackles city's problems

The high school program will hold its fifth annual urban workshop on December 4 with a banker and a politician each presenting a view of New York City's fiscal problem. As in the past, the morning will be devoted to simulations and after lunch high school students and their teachers will participate in a seminar with the guest speakers.

Returning to the School for a second appearance will be George Roniger, senior economist of the First National City Bank of New York. Representing the political view will be Robert F. Wagner, Jr., the son of a former mayor of New York and a member of the City Council. His topic will be "The City's Crisis Viewed from City Hall."

Previous workshops have had upwards of 75 participants, including students and

their teachers as well as interested observers from high schools. Simulations are based on the games New Town and Community Land Use Game (CLUG).

Each of six or seven groups participates in a simulation exercise under the guidance of a high school student who has been trained at the School by Stan Rubenstein and Ted Ehrman to conduct the games and to lead the participants in evaluation of the exercise.

The students are briefed on the topic of the afternoon's seminar so that they can use the simulations to develop questions that they can ask the speakers later. This format is designed to give students a first-hand look at the land problem as they develop it themselves on the playing board, and then an opportunity to talk to people who tackle these issues in the real world.

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## Jersey City advised to restructure taxes

Jersey City property taxes need restructuring by raising assessments to full market value and providing abatement for improvements if the city is to take full advantage of the potential offered by its location, Philip Finkelstein, director of the School's Center for Local Tax Research, advised in his report "Property Taxation and Land Use in Jersey City."

The city, he said, has made little use of its significant location at "the very center of the biggest metropolitan area of the country" with "unparalleled access to every conceivable transit mode." Vast areas of vacant land, some of which have been unused for generations as well as newly created stretches of open areas within developed sections, are seen throughout Jersey City, according to the report. These areas, it states, can be used for a variety of residential and commercial applications.

Besides vacant land, Finkelstein noted, the tax roll shows 1,253 parcels which he described as grossly underutilized by any standard of planning, real estate economics, municipal finance or urban land use. Comparing the relatively low level of improvement value to that of the land it occupies, the report shows that underutili-

zation is present in practically every section of the city and in every classification of use.

The large number of underdeveloped parcels in Jersey City "represent a potential the city fails to realize, in terms both of future development and current fiscal resource," Finkelstein observes, adding that although some of these parcels are isolated, many range well into six figures.

By raising the assessment of underused and vacant land to full market value, Finkelstein estimates that city revenue would be sufficiently increased so that the payroll tax could be dropped without any new levies being imposed. Removal of the payroll tax, "as promised by the city leadership, must be the first order of business for any development," the report said. Not only is the payroll tax falling short of its revenue projection, the report notes, it is causing a loss of jobs, particularly in low-wage industries in which Jersey City had been competitive, and is discouraging new commercial investment.

Even with this handicap, New York City businessmen are looking at Jersey City as a possible refuge from the larger municipality's heavier burdens. For example, Weeden & Co., Wall Street's biggest

third market maker (a broker who trades listed securities off the exchange floor) has moved a third of its staff to the Exchange Place area in Jersey City to achieve a saving in transfer taxes of an estimated \$1 million a year.

By allowing tax abatement on improvements, Finkelstein's report indicates, there might well be enough incentive for investors to build more office space and attract other businesses and, by implication take advantage of political ineptitude on the other side of the Hudson River. Tax abatement will also serve to alleviate the harsher tax treatment that might befall some homeowners by the boost in assessment to full market value. Legislation permitting abatement of taxes on all new improvements for owner-occupied property beyond required code standards, the report suggests would lead to better neighborhood values and make each homeowner's property more valuable.

Moreover, it notes, improvement abatement might interest the "brownstone" market, inducing people to buy and restore the city's stock of older townhouses. Lately the interest in this activity has been small despite the relatively low price of such properties in good locations.

## In the mail . . .

### Who knows best?

Roger Haldane of Albany, N.Y. quotes from an unidentified clip "As an example of confusion and contradiction in government, New York State offers the startling fact that it is against the law to wash children's sleepwear. The federal government has required that makers of children's pajamas treat them to be fire-resistant. New York State has banned phosphates in detergents as an anti-pollution measure. Now, there's no way of washing material that has been made fire-resistant in a non-phosphate detergent without washing away the chemicals that make it fire-resistant. So the troubled housewife and mother can either break the law by using a phosphate detergent and preserving the fire protection for her young ones, or she can break the law by using the permitted detergent and washing away the mandated resistance. It hardly makes sense to advise her to throw away the dirty laundry and replace it with new fire-resistant garments.

### Suburban defense

Lancaster M. Greene of New York observes that the town of Charlotte, a suburb of the city of Rochester on Lake Ontario, had the most envied land speculators in New York State when he was a boy. Eastman Kodak had its headquarters there and paid its state taxes from there. As a consequence there were no other taxes imposed on the residents of Charlotte. Land prices were high. Rochester wanted to include the fiscal plum of Eastman Kodak within its jurisdiction, but it was fought off in the Albany legislature for many years as a result of activity by the land speculators lobby. The Rochester lobby finally outbid them. With Rochester taxes imposed on Charlotte

sites, the high land prices soon fell. The father of one of his school friends claimed credit as a member of the State Legislature for having procured such a large tax increment for Rochester.

### 'A dose of Geritol'

Polly Roberts of San Francisco writes in the September-October issue of *The Real Estate Appraiser*: A shift to taxing land will "cure the unpleasant side effects of building taxes, and higher land taxes will administer a dose of Geritol to tired cities." In her article "Property Taxes and Land Value Taxes," she notes that a tax on land will be more progressive than the general property tax because land taxes do not affect the behavior of the average profit-minded owner. The article treats the history of property taxes and discusses the negative aspects of the general tax on land and improvements. It developed out of Robert's work with the Ralph Nader group's 1970 investigation of land use in California.

### Ontario's great opportunity

Mal McCarthy of Toronto observes that the recent election points to the Ontario's electorate having become somewhat disenchanted with the policies and administration of Provincial Government. During the campaign it was evident that housing and taxation were major issues, he says, and election results indicate that the electorate feels a more equitable distribution of wealth could be achieved by a fresh approach to revenue producing methods and procedures. With this background, he proposes that two or three small towns be selected and two separate bills prepared, each one designed to raise the same total

amount of taxes: one using market value assessment and the other using site value assessment. The two bills with explanatory material would be distributed to the taxpayers and a referendum held to determine which method should apply for three to five years. If our experience is the same as that of Australia, McCarthy states, the test jurisdictions will vote for site value assessment. In a very short time, he predicts, these test area will derive benefits that will be apparent to people in other municipalities who will request the same opportunity.

### Man-of-the-year

Nicholas J. Minaya, a realtor who has taught at the School, received the "Man of the Year" award from the National Association of Independent Appraisers at its recent convention in Atlanta, Ga. He was also elected the Association's national director. The award cited Minaya's numerous contributions to the organization's educational program, with particular reference to his having co-authored its text "Valuation of Income Producing Properties."

### A better suggestion

Ben Mallia of California says he liked "Tried and true suggestion" (NEWS Sept.-Oct. 1975) in which it was proposed that taxpayers make their own property assessment, whereupon anyone could buy the property at twice the assessed figure. He suggests, however, that this does not really strike at the root of the problem. Because it continues to treat the two property taxes as one tax, he says, we foolishly continue to impose a burden on improvements and suffer all the attendant ills of that practice.

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## From the GEORGE notebook

*(These notes on random topics are not definitive and certainly are not offered as the last word on the subject. Instead they are intended to be sometimes informative and always provocative. EDITOR)*

"They planned it that way." It might be thought far fetched to relate New York's fiscal failures to the triumphs of twentieth-century Liberals, but the city's plight is the most visible evidence of the horrors of paternalistic government. The results might have been unintended, but there can be little doubt that they are the consequences of well-intentioned efforts that had their wellsprings in the great depression.

The Constitution was to "insure domestic tranquility" and so in their impoverished thought politicians at all levels have sought to "promote the general welfare" by fiat. Where inequities existed they would outlaw them. And to insure the widest distribution of the fruits of history's greatest aggregation of capital they

would gird it with regulations and saddle it with regulators.

Besides, they would tax and they would tax; they would spend and they would spend, and they would elect and they would elect. For their idea was to absorb what they thought the market had wrongly distributed and redistribute it.

In essence this is what New York's administrators attempted: the redistribution of wealth. They tried to alleviate poverty by siphoning tax dollars, some collected directly in the city, some circuitously through state and federal bureaucracies, into the pockets of city dwellers said to be "underprivileged." In common parlance they would cure poverty by giving money to the poor. But the poor remained poor and those who, by definition, must be considered "privileged" bought only an uneasy semblance of tranquility.

Whether Congress and the President finally agree either to bawl out or bail out the City Fathers, Washington must acknowledge that the local politicians were only following its lead. The local boys

wanted to do what those elected to national office have been doing for decades. Moreover, the locals were trying to use the technique as a means of returning to city hall some of the political clout that had been lost to Foggy Bottom.

For forty years and more it has been a popular myth that government — at any level — knows best and through responsible regulation can ameliorate what have been regarded as the pernicious effects of a wicked marketplace. One apologist, with belated recognition of reality, observed recently, "Government has the right to flout the market's allocations, but only if it is willing to pay for it."

The premise of this remark cannot be disputed if the sovereignty of government is accepted. But no sovereign has ever willingly paid the price of its own misconduct of affairs. The question is not one of right but of propriety.

Is it proper for government to flout the market's allocations when all history demonstrates that no government ever pays the price?

## BOOK: Property taxes begin with assessment

**Real Property Taxation in New York City**, by Philip Finkelstein, foreword by Dick Netzer; Praeger Publishers, Inc., New York, 1975. 121 pages.

The anatomy of New York City's fiscal crisis reveals two parallel developments in the city's contemporary history. On one hand, the services delivered have been far greater in New York on a per capita basis than is provided by other municipal jurisdictions in the United States. On the other hand, the growth of revenues from all sources has not kept pace with the level of spending maintained by policy makers over the past dozen years.

Of locally generated revenues, real estate taxes are a very important component, hence a study dealing with the ways property taxes are levied and can be improved is of singular importance.

In this book, Philip Finkelstein, a former Deputy City Administrator of New York, reports on an in-depth study of the effects of property taxation in the city during the late 1960's. His findings of that period were striking in their revelation of inequities in the assessment process. He stated that a great deal of variation in the ratio of assessment to full value has been evident not only between property classes,

but within classifications as well. Furthermore, it was found that sales data was not fully utilized in establishing assessments and determining the New York State equalization ratio.

Generally, land is assessed at a lower percentage of full value than are improvements. Such disparity is found throughout the United States in jurisdictions that levy property taxes. New York City is no exception, and vacant land shows the lowest ratio of assessment to full value. Finkelstein's study also found that commercial, retail and newer residential properties come closest to full value in their assessment.

Using the Astoria-Long Island City area as an example, the study indicates that the coefficient of dispersion for median values of vacant land is .69; for one-family homes, .26; and three-family dwellings .30. The Advisory Council on Intergovernmental Relations considers that dispersion ratios between .20 and .30 indicate a need for assessment review, and a coefficient of dispersion greater than .30 indicates a high degree of inequality and calls for complete assessment reform.

An interesting part of the book deals with estimates Finkelstein and his research team developed to determine the effect of a land value tax within various land use

categories. Using a randomly chosen sample, the study estimated the impact of land value taxes that would be most likely to facilitate more intensive development. Three variables were used to determine the differing impact of the tax on different use classifications: 1. the improvement value to land value ratio; 2. the difference between existing property taxes and the proposed land tax; and 3. the ratio of land value tax to the existing tax.

The first measure is useful in determining intensity of land development — a parcel with a high improvement to land value ratio pays correspondingly less tax and vice versa. The difference between land value taxes was to determine the average change that would be occasioned by a land value tax. Finally, the ratio of land value tax to present tax paid per parcel simply measures the relative tax reduction or increase which would occur under a new system.

The general findings of this book should be taken as a pilot study which can be used by other jurisdictions looking toward assessment reform. The proper allocation of tax effects on land and improvements will influence land use, enhance revenue generation and correct some inequities which are present in most taxing areas.

J.B.

# High schools research assessments

An independent study course involving assessment research is being introduced into Long Island schools as part of our high school program, according to the program's director Stan Rubenstein. Experience with City-As-School and other Alternative High Schools has helped him organize this new course which involves students in gathering data independently at assessors' offices.

Rubenstein considers this course a good way "to integrate the philosophy of the Henry George School with our public educational system." Beginning in February, Jericho High School will incorporate this new course into its economics curriculum.

Rubenstein presented this program to several high schools on Long Island, offering his services and that of his associate, Ted Ehrman, as qualified faculty advisors. Last spring, he had approached the administration of Oceanside High School to recommend this independent-study course, using assessment data to analyze property in Oceanside, L.I. The project was accepted and students participating in the program were given credit for working with Rubenstein and Ehrman. Students frequently used class time visit the Board of Assessors' office in Mineola gathering data on assessments, such as sales figures, types of structures. A special program has been set up with the high school mathematics department allowing all information to be fed into a computer, making information available that was hitherto most difficult to obtain.

To assist in this project in Oceanside, Rubenstein hopes to gain the cooperation of local professionals such as real estate brokers, mortgage officers, builders, commercial and industrial leaders, and politicians. To stimulate interest among students, faculty, and administrators, a classroom has been set up with tax maps of Oceanside and Nassau County.

Each student in the independent-study program will concentrate on one of three aspects of the project: Local taxation and the need for reform; private interests vs. community interest; and the changing physical form of Nassau County. Students are required to evaluate the information they gather, and when the course is completed, the data will be available for the School's research program.

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