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**REAL ESTATE PROPERTY REPORT**

# Detroit Aims to Spur New Housing, Boost Property Values With Tax Change

A land-value tax will help revitalize city, become model for Rust Belt, proponents say



Detroit has a glut of vacant lots and a lack of development.

PHOTO: JIM WEST/ZUMA PRESS

By *Konrad Putzier* [Follow](#)

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Detroit city officials are weighing a radical change to the way the city taxes property, which proponents say will help revitalize the city and become a model for the Rust Belt.

Detroit would be the largest U.S. city to introduce a so-called land-value tax. Like most U.S. cities, Detroit calculates property taxes by estimating the value of a property's land and buildings and charging a fixed percentage each year.

Under the proposed change, the city would replace some property levies with a single tax on the land value only, according to people familiar with the matter.

That means owners of vacant land would see their tax bills skyrocket, while the tax bill for many homeowners and commercial-property owners would fall. That in turn would push up

home values and encourage more property owners to build, said Roderick Hardamon, a local real-estate developer who supports the change.

Black homeowners have been hit particularly hard by declining values in recent decades, and proponents say the change could help shrink the region's racial wealth gap.

The tax change has a couple of legislative hurdles to clear. First, it would need state approval. Then it would need to win a majority of Detroit voters through a ballot measure.

There is no clear timetable for either right now. Detroit Mayor Mike Duggan has said the city is "80% of the way to a solution" on a new tax system, a spokeswoman said.

The speaker of Michigan's house of representatives, Joe Tate, supports the new tax policy, which is also backed by a number of advocacy groups, economists and property developers.

"Reducing the tax burden creates stronger communities, not only in Detroit but across the state," Mr. Tate said.



Mayor Mike Duggan has said Detroit is '80% of the way to a solution' on a new tax system.

PHOTO: ERIN KIRKLAND/BLOOMBERG NEWS

Other mayors and housing advocates see Detroit as a crucial test case for this tax policy, one that could open the door for other cities to follow.

"I think this is a policy that works in any city in Michigan and works in a lot of distressed cities in a similar way," said Nick Allen, a Ph.D. student at the Massachusetts Institute of Technology and former manager at the Detroit Economic Growth Corporation, who has been pushing for the tax change.

Detroit has a glut of vacant lots and a lack of development. Investors, many from out of state, bought up land and kept it vacant, waiting for prices to rise, according to developers and community activists.

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Live Q&A

## 2023 Housing Market Outlook

Falling mortgage rates are beginning to stir demand in the housing market. As we head into the spring, a season that tends to bring out more buyers and sellers, what can we expect for the year ahead? Redfin CEO Glenn Kelman sat down with Nicole Friedman, Wall Street Journal reporter covering the housing market, to discuss his outlook for 2023.

**Watch the conversation** →

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A declining population pushed down home values and property-tax income in recent decades, leading the city to raise tax rates to make up the shortfall, causing more people to leave and pushing home values lower.

In a study published last year, Mr. Allen and John Anderson, a professor of economics at the University of Nebraska-Lincoln, estimated that more than 96% of Detroit homes and small rental buildings would see their property-tax bills fall as a result of the proposed change. That, along with an expected increase in development, could help push up residential-property values, they said.

Changing tax systems can be legally complicated, and some landlords have argued that the impact on development is minimal at best. One risk is that the change could take a toll on businesses using a lot of land, said Aaron Seybert, a managing director at the Kresge Foundation, who supports the change.

The idea of shifting taxes onto land goes back more than a century. American journalist Henry George popularized the concept in the late 19th century, writing a book on the subject that for years sold more copies in the U.S. than any book other than the Bible and spawned a tax-overhaul movement. But despite the idea's early popularity, it failed to take root.

In the U.S., tax systems with higher rates on land than on buildings only exist in a handful of cities in Pennsylvania. Pittsburgh, the only major U.S. city that had such a system, ditched it in 2001 as part of a broader shake-up of the city's tax system.

Calculating two values for a single property can also be tricky. But Mr. Hardamon said unfair assessments also happen under traditional property-tax systems.

"It's the same risk today, so what's the difference," he said.

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