

PROPERTY TAX CAP PROPOSED

Response to article in Crain's New York Business,
www.crainnewyork.com.

By Scott Baker, New York, NY, ssbaker305@yahoo.com,
10-8-15

A 2% property tax cap as called for by State Senate Majority Leader John Flanagan is an absolutely terrible idea, for both the state (too late) and the city (there's still time to defeat this...). Lowering the property tax will only increase the sales price of housing (read: land). It will make housing and retail locations even more out of reach than they already are, deprive the city of needed revenue that it deserves because of its \$1 billion in GDP/year per square mile average, and enrich the already too rich developers. No wonder they are the leading contributors to politicians like Flanagan! If he REALLY wants to spur development opportunity, he should call for a tax shift to Land and away from buildings. Then we would get more of the latter and better more efficient use of the former.

An even better case could be made for tax-cutting Republicans to tax shift ENTIRELY to Land/Location and untax production: wages, sales, and true capital like buildings. Collecting the full rental value every year would produce a building boom that would soon wipe away the homelessness crisis; there are already over 3X the number of vacant apartments needed to house every sheltered homeless person in the city, but little incentive under the current tax system to fix them up and rent them to the city at reasonable rates.

I don't always agree with Mayor de Blasio, and he's already dropped the ball on a campaign promise to tax vacant land at the rate of built-upon land, which would have caused hundreds of idle acres to be brought out of speculation and into use. But in this case he's right, albeit maybe for the wrong reasons. <<

AFFORDABLE HOUSING BONDS – A LAND RIGHTS PERSPECTIVE

Email by Cathy Orloff, Providence, RI, cathorloff@cox.net, to contacts 10-26-15.

Responding to petition, "Gina Raimondo: Continue to support the goals of Zero: 2016 and end homelessness in Rhode Island," <http://www.change.org/p/gina-raimondo-continue-to-support-the-goals-of-zero-2016-and-end-homelessness-in-rhode-island> (continued on page 4)

AFFORDABLE HOUSING BONDS (from page 3)

It is hard to imagine that a bill described as helping the homeless would actually do the opposite. But that is the case with this proposed legislation.

As we know, there is a finite amount of land in RI (about 1000 sq. mi.) The amount of land and the number of people living on it are what basically set the value of the land and consequently the rents landlords can charge. As we also know, right now RI rents are so high that many can't afford them and are homeless. But the economics of it is that, if the State makes millions more taxpayer dollars available for the

purpose of subsidizing the construction and rehab of housing, since no-one (presumably) knows at this point which particular land parcels will be selected, the net tendency will be an increased demand with a fixed supply of land, which simply raises land prices across the board, thus making it LESS affordable to the general public. So, while the subsidy will help some lucky (relatively few) homeless families, the net economic effect will be negative for the majority of Rhode Islanders who rent, as well as for prospective businesses that may be considering moving here. In other words, this "medicine" treats a few but makes the illness worse for many more.

To me it is no surprise that about 1/3 of the "organizational members" of Housing Works RI, the group that issues the Housing Fact Book each year and warns the public about the problems of housing affordability, are representatives of the real estate, mortgage and construction industries, including all the major banks, Coldwell Banker Residential Brokerage, Dimeo Properties, Financial Architects Partners, Homestar Mortgage, Joe Casali Engineering, to name just a few. (see pp. 64-65 of the 2013 Housing Fact Book). This group as a whole has a vested interest in seeing housing bonds passed, just as grocery stores have a vested interest in keeping the SNAP food stamp program going, etc. While this spin-off is not possible to prevent, it bothers me that this aspect of affordable housing bonds is rarely if ever mentioned. It also bothers me that when the bonds pass, in addition to facing rising land prices, many struggling Rhode Islanders will be among these paying higher taxes for the bonds, most of whose proceeds will go to this rather affluent group in the FIRE sector (Financial, Insurance and Real Estate). A maldistribution of taxes if ever there was one!

While this wrong medicine for homelessness has many conflicts of interest, the right medicine is "pure and organic!" It is for the public to realize that land values are not created by individual landowners but by the entire community, through the roads, public schools, local governments, fire and police services, etc. that they fund; and therefore our property tax should be increased on community-created land values while decreasing taxes on improvements (buildings) as well as on productive activities like building construction and maintenance, small and large businesses, retail sales, and payrolls, to name just a few. The heavier tax on land values will in and of itself bring down the price of all land parcels, thus making them affordable and available for homes, businesses and jobs.

To my knowledge this is the only natural, organic and justifiable solution to homelessness that involves no conflicts of interest or adverse economic effects. <<

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