

Tax Exemption

GRIFFENHAGEN-KROEGER, INC. The Effects of
Tax Exemption For Improvements
and/or Personality Nov. 62

1. studies effects of exemption of a given glt class of property or of a given class of economic endeavor
2. In Fresno county where study made industry is taxed
 - a) 55.7% on improvements
 - b) 41.7% on personality
 - c) 2.6% on land
3. If the tax were on land alone, the assessed valuations remain the same, and if the shift is made entirely by tax revision, taxes would decrease on 60.9% on the properties in the county-wide sample, and increase on 38.8% with 0.3% unchanged p7
4. If only improvements were exempt the effect would be nearly even on the number of properties.
 - a) 54.4% would decrease
 - b) 45.3% increase
 - c) 0.3% unchanged
5. Downtown area being assessed in relation to improvements on it,

not by the inherent value of the location

a) 8 block sample showed downtown land sparsely covered by structures

b) high degree of old & barely adequate structural improvement

c) a disproportionately heavy load falls upon new structures

d) continues to fall on large well-maintained buildings

e) such ~~old~~ distorted assessed valuation results from the tax appraisal theory that the land and its structures must be considered as an indivisible economic unit

f) non-occupying owners have economic incentive to keep buildings at lowest point of maintenance & appearance acceptable to tenants

g) retailers want more attractive surroundings → suburbs

1. owner of downtown rental doesn't tear down his building

2. demolition & construction costs

3. loss of income during "

4. higher taxes

Effect of tax exemption (2)

5. exceptions are a very small portion of reconstruction potential

6 if tax rates rise will aggravate situation

h) tax on land would call for revision of land assessment from present rates

6 Concludes tax on land would

a) increase responsibility and authority of local gov.

b) "eliminate slums + rebuild cities"

c) attract industry + trade

d) encourage better use of land

7 Their data

a) relied completely on public records

b) classes of property

1. dwellings

2. mercantile

3. service

4. entertainment or recreation

5. automobile

6. unimproved land

7. farms

desirable : apartments hotels,
office buildings, manufacturing (heavy),
extractive indus. transportation + utilities

1960 Citizens' Housing + Planning Council of N.Y. Inc.
How Tax Exemption Broke the
Housing Deadlock in N.Y.C.

studies period between 1919
and early June of 1927.

problems of money scarcity,
high taxes, high building costs
are considered

experience with tax abate-
ments large-scale production,
subsidies + public buildings
discussed

Citizens Housing + Planning Council of N.Y. Inc
Tax Policies and Urban Renewal in
N.Y. City

1. greatest problem cost of land

a) Federal Housing Act provides heavy subsidies of acquisition costs when land is acquired by eminent domain

b) difference between the new-use value and gross acquisition costs is absorbed by Fed + City $\frac{2}{3} : \frac{1}{3}$

c) subsidy in above form is termed "write-down"

d) builders who assemble parcels without public aid must charge very high rentals if they are to make a fair profit

e) builders "also" find it virtually impossible, unaided, to assemble large tracts of improved land.

f) find gross costs per square foot to be \$11.00, sold to sponsor for \$2.43 net cost to U.S. + City \$8.57 with a 18 year recovery period (yield from taxes)

7. land in slum areas is not assessed in terms of market value

1. written down to reflect inadequacy of existing improvements

2. "underassessment of slum properties should be avoided, because it would furnish an economic incentive to their continued operation without adequate renewal or replacement of the structures," p 8

3. "assessment of land should be influenced by its highest + best potential use

4. Chicago supposedly now assesses on basis of great profits slums bring in, "valuations will be jumped as much as 63%" by new procedure.

5. "cost code enforcement should be relentless" p 10

city must at same time strengthen relocation operations

c underassessment of slum property tends to increase their net income + market value + hi market value leads to higher condemnation awards above assessment value

Tax Policies (2)

7 N.Y. study finds condemnation awards running nearly 70% above assessed values, 55% above market values (premium is for inconvenience allowance about +10%).

a) means slums grossly undervalued

b) or properties receiving windfall profits at condemnation

8 Committee proposes tax exemption "would go a long way toward relieving the housing shortage".

a) entry of well-financed, nonprofit organizations

b) private builders

c) exemption "should be" \$4,250/room or \$15,000 per 3.52 construction rooms per dwelling unit

d) recommend 5 yr. exemption from date of construction commencement

9 A joint U.S.-Br.-Can study according to National Assoc. of Housing & Redevelopment officials reports great success in "slum-purifying" tax assessed property on value of best use potential use

10 suggest built-in intensity control

so should value of improvements exceed
certain land-improvements ratio,
excess should be taxed at rate applicable
to land, thus removing any tax incentive
to overbuild