Benjamin B. Terner

Testimony to the DC Tax Revision Commission

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My name is Benjamin B. Terner. I served as an Assistant Corporation Counsel in the Land Use Section of the DC Office of Corporation Counsel from 1975 to 1990. I also served as an Administrative Judge with the DC Contract Appeals Board for several years during the 1990’s. During my years with the Office of Corporation Counsel I worked with housing and community development matters generally, and land use issues addressed by the Redevelopment Land Agency (RLA).

During my work for the RLA, I became aware that some landowners postponed using land for housing or commercial purposes by simply putting up parking lots and then waiting for the land values to rise.

. Parking lots encourage more people to drive into the District --- thereby exacerbating traffic congestion and pollution.

. Parking lots generate cash flow that can easily cover the minimal costs of holding land in this relatively undeveloped condition.

. Parking lots, to the extent that they reduce the amount of land available for homes and businesses, increase the cost of land that is available for these uses, and thereby inflate the cost of housing and business rents.

During this time, I also became aware that the property tax played an important role in this situation.

. Although our official policy was to support housing and business growth, landowners who created new buildings for housing or businesses would face higher taxes. This was also true for owners who improved existing buildings.

. Landowners who allowed properties to deteriorate were rewarded with lower taxes.

. Owners of parking lots, boarded up buildings and vacant lots paid less tax than their neighbors, even though the owners of these vacant and derelict properties were often imposing costs on the public due to the illegal activities that would occur there, such as drugs or drug related crime, arson and other activities.

I am aware that, beginning in 1990, the District has from time to time imposed and repeated “penalty” taxes on vacant properties. I am not an expert, by any means, on these attempts, but I understand that there have been administrative difficulties in implementing these measures and obtaining intended results.

Reducing the property tax rate on building values, and increasing the property tax rate on land values might be a simpler and more effective way to achieve the same result. Not only does this avoid the need
to determine what buildings are vacant, and which are not, which is not an easy task, but it also applies more appropriate incentives throughout the property investment-disinvestment decision making process, rather than imposing a big penalty once disinvestment has reached intolerable proportions.

Cities that have implemented this reform, such as Pittsburgh, Harrisburg, and others have experienced increased levels of property improvement and reductions in the amount of vacant and boarded up properties. I would encourage the Commission to investigate this reform.

Benjamin B. Terner