

Real Estate Issues

VOLUME 3

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and Raise Taxes on Property at the Same Time

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New Shelters in Old Properties:
The Tax Reform Act of 1976

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Update—
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The U.S. Supreme Court Upholds New York City's
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The Synergistic City:
Its Potentials, Hindrances, and Fulfillment

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Real Estate Issues, *Winter 1978*

How to Comply with Property Tax Litigation and Raise Taxes at the Same Time

Donald G. Hagman, Page 1

Just as constitutional debt limits have been evaded, there are a number of ways to avoid the kind of tax limits represented by Proposition 13 and its progeny, according to the author. One means is to expand the property tax base by adopting a so-called "general property tax system," making all property—not just real estate—subject to taxation. Another alternative would be the amendment of state income and sales tax laws to provide a state-collected local tax; this would have the same effect as a property tax without being an ad valorem tax of real property. The article claims that limitations on taxes and expenditures will be permanent only for political—not legal—reasons.

New Shelters in Old Properties: The Tax Reform Act of 1976

Richard J. Roddewig and Michael S. Young, Page 9

Section 2124 of the Tax Reform Act of 1976 enacted into law three new incentives for preservation of historically significant properties. This article analyzes two of those new incentives—the alternative use of a five-year amortization period for certified rehabilitation of historic structures, or accelerated depreciation of the structure's combined basis and rehabilitation cost as it affects the actual after-tax return on a small apartment building in a National Register Historic District. The authors suggest that countervailing sections of the tax code and the TRA '76 (recapture and the tough new provisions increasing the minimum tax) tarnish the allure of old buildings as new tax shelters and require additional tax incentives to foster historic preservation.

The Grand Central Terminal Case: The U.S. Supreme Court Upholds New York City's Historic Preservation Program

Frank B. Gilbert, Page 31

On June 26, the U.S. Supreme Court sustained New York City's right to designate individual landmark buildings and to halt a proposed demolition. It was this court's first review of a local historic preservation law. The case involved the rejection of plans to build a 55-story building on the site of Grand Central Terminal, a designated city landmark. In the court's opinion is language strongly supporting the provisions in the laws that have established landmark and historic district commissions in more than 500 cities and towns. This decision has given a status to historic preservation that can only come from a review of a controversy by the Supreme Court. The opinion said that the New York City law permitted Penn Central "not only to profit from the Terminal but to obtain a 'reasonable return' on its investment."

The Synergistic City: Its Potentials, Hindrances and Fulfillment

Mason Gaffney, Page 36

The urban land market lets firms enjoy synergy via mutual aid, without loss of independence. Synergy entails mutual access, sharing costs, specialization, competition, choice, flexibility, pooling, innovation, and information. But, the author contends, parasitic land uses hinder synergy. These are uses which pollute, crowd the lot lines, overload the infrastructure, are cross-subsidized, are absentee-owned, dilapidated, too self-contained, or simply absent. He illustrates how constructive remedies combine user charges and measured subventions in optimal balance with land taxation.

*Bank Trust Department Operation of
Commingled Real Estate Funds*

Mike Miles and Janette Langford, Page 62

Real estate as an investment medium offers certain distinctive advantages which have been well known for some time. Associated with these advantages are certain diversification, management, and liquidity problems not associated with alternative types of investments. This article explores commingled real estate funds as a mechanism for offering clients the distinctive advantages of real estate investment without many of the normally attendant problems. Specifically, the article deals with commercial banks operating commingled funds and focuses on the banks' investment criteria. The investment counselor should be aware of the requirements of these new and potentially very significant participants in the real estate investment marketplace.

*Young Professionals and
City Neighborhoods*

**The Parkman Center for
Urban Affairs, Page 79**

Boston continues to attract "young professional" home buyers whose tastes lean toward the kind and quality of housing available in the city—namely, the Victorian mansion and the mini-Victorian "cottage." In examining this migratory trend, the Parkman Center discusses the attractions that draw the young home-seekers—affordability, a sense of community, the phenomenon of "urban chic," a vital environment in which to pursue personal goals—as well as negative influences—crime, adequacy and responsiveness of public institutions, and less definite elements characterized as the "civility" of the urban atmosphere and uncertainty about the future. This study suggests that as the baby boom generation reaches home-buying age, older urban centers across the nation have a better chance of reinvigorating themselves than they have had for 30 years or more.

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