

A Tax Break for Cities

In the pastiche of tax reform provisions just signed into law, there is one real reform that will have a substantial effect on cities. It has been Federal tax policy until now never to give a landmark an even break. The law has rewarded landmark demolition by making it tax deductible and added insult to injury by providing for accelerated depreciation on the replacement.

As a result, cities are pockmarked with parking lots and studded with high-rise mediocrities that are testimony to the astuteness of property owners who know a tax break when they see one. Occasionally a site is marked with a plaque for the superior structure that stood there, but more often the only indication of the irreparable erosion of the urban environment is in someone's tax returns.

The powerful negative impact of this kind of tax policy has finally been recognized. The rehabilitation of commercial landmark property has now been put on an equal footing with new construction. Demolition of a landmark is no longer deductible, and its replacement will not get accelerated depreciation. A rehabilitated landmark will be eligible for the same rate of write-off as a new building.

These Federal changes are a good start. At the local level, cities continue to reward with lower assessments those who tear down or neglect buildings, and to penalize with higher taxes those who improve older structures. As long as vacant land is taxed at a lower rate, sound, handsome buildings will be leveled. New York's tax incentive program for converting older structures to residential needs is a move in the right direction.

But the results of bad policies are an all-too-prevalent physical reality. It has become painfully clear that tenuous neighborhoods can be ravaged by tax-created parking lots and the lack of rehabilitation tools. Tax reform that encourages conservation is sound urban policy. Cities are built and destroyed as much by laws as by men.