

FROM THE DESK OF

Richard Barbuto

12/9/83

Dear Hank

Thank you for
listening in yesterday.

I'm eager to hear
your reaction.

I've enclosed a letter
which I'd like to have
broader exposure for --
any ideas? ~~Eq.~~
Push

cc Bob Clancy
to Hank R.

December 8, 1983

Dear Georgists:

The two articles I have attached

~~are~~ very important to Georgists. The first urges corporations to recognize land value by establishing corporate programs for speculative holding of land. The second deals with the political process involved in tax legislation.

Incentive Tax Leagues must publicize the problems raised by every proposal for tax reform and the remedy we offer in land value taxation methods. Georgists need to get into the lobbying arena.

Investors, as people of wealth, ^{have} become more sophisticated than ever. They look at everything that happens of a political/economic nature very carefully. Their key question is "What is the impact on my keeping and increasing my claim to ever greener pastures? The slightest contest to their claims greatly alarms them. When they or their advisers recognize threats on any horizon, they react to stifle such perceived threats quickly. All means are used: legal, economic, judicial, legislative, media-based or personal contact jawboning -- whatever forces necessary.

I teach a course to para-legals on Social and Legislative Advocacy at Manhattanville College. The first lesson is on how ideas become laws. The "Greatest Asset" article and countless others like it continue to promote the idea of land for speculative investment.

With private investors, be they individuals, corporations or other institutions, ^{increasingly} geometrically, so is their voice within political circles.

Legislators determine that "an idea whose time has come" to be a law is based on the relative pressures that they receive within the lobbying arena. We Georgists must effectively deliver our message as a political one. We are clearly an interest group whose socio-economic profile and values are compatible with the investor -- plus we are dedicated to dealing with the social problems Henry George worked politically to remedy.

Until the beginning of the 80's, corporations have been slow to "realize" -- in an economic sense---the value of their

(1) "Your Greatest Asset May Be Your Own Backward", Wall Street Journal, November 29, 1983.

"Taxes and Lobbyists on Capitol Hill", New York Post, November 8, 1983

real estate. They left the management and the values to real estate professionals to argue over. They controlled no more ^{land} than they might need to expand or to barter ^{with} in order to continue ^{their} ability to produce goods and services.

What I said above about "people of wealth" is even more true for corporations. Recent revelations of U.S. business executive's having too close a concern for bottom line growth -- to the detriment of capital investments -- showed the trend dramatically. The "bottom line" had been ^{considered} so important that finances and tax avoidance became more important than corporate productivity. The trend now is to give maximum priority to every bit of information, to watch every horizon -- socio-economic or otherwise -- for any threat to/or opportunity for greener pastures. Unless we deal with the investor or capitalist mentality, we can be sure that lobbyists will be engaged against us in the battle.

Enter reforms of the LVT type! If corporations do build into their balance sheets the land use investment and "parking lot management" techniques of the kind encouraged in the attached article -- they will reinforce the ranks of speculators that LVT reforms are aimed at. This entry of new antagonists against us would be formidable.

NOW is the time for Georgists to start lobbying on the tax reform front and our message must be shaped for bi-partisan support:

Here are some of my thoughts on how we can deal with other current tax reform issues:

The battle is continuing on the Unitary Tax on corporations. I like this concept, because it allocates taxes based on the use of local government services of the multinational (or multi-located) business. LVT proposals should deal with the new trend before the courts and legislatures act formally. Lawmakers will be looking for new ideas to deal with this issue. LVT has already been accepted on a global scale; let's develop a plan for corporate public policy circles to listen to the LVT story.

Political action on the Flat Tax continues. However, as I indicate above, ^{it is obvious to} think that people/corporations with taxable wealth are going to let their present and forecasted annual bottom lines decrease! Ideas for exemptions to make sure of this priority concern continue to be added. Every such taxpayer is asking their advisers, "What is (any change) going to cost?"

at
to
advisers, "What

Political action for "tax shelters" continues, but to the credit of the Reagan Administration, there is more emphasis on making sure there is an economic growth factor tied to shelters. However, a question the public never is encouraged to ask is "If so many people succeed at getting 'shelter from' paying taxes, who is going to pay for the costs of government services?" Unfortunately, conservatives and libertarians answer too fast by saying, "That's the idea: cut revenue and reduced government will be the result!" I applaud that, but look at the way governments rushed in to fill in the gaps in revenue after Jarvis' Proposition 13 "succeeded"?!

Last, but not the least of our concerns, is the growing costs associated with the military, that is, the Defense Budget and the \$200B deficit to feed it and the interest charges on deficit financing with the national debt of \$1.5T. Tax shelters are especially insidious when they "shelter" the defense costs of "our" nation from any taxpayer.

Georgists must get into lobbying, political action committees and the like. Land value taxation reforms must become an alternative that is given political attention in the United States before more voting blocks become dependent on land speculation as assets, investments and income. Political action for ever greener pastures for the few must be supplanted by more concern and action for green pastures for the many.

We Georgists must accelerate our efforts -- through political means aimed at middle America -- to get national and state government action. The upcoming CGO conference should have at least one workshop on the 1984 elections and getting LVT into Democratic, Republican and Libertarian platforms -- in fact such an effort should start now. (i.e. identify successful Georgist political action programs and circulate letters such as mine. These can be reported on and support sought for those candidates who will support LVT reforms in the 1984 elections.

Best regards,

Richard Barbuto, Esq.
Westchester County Coordinator,
Incentive Tax League of New York

Your Greatest Asset May Be Your Own Backyard

One of the greatest economic challenges facing America in the 1980s is the modernization of our aging and increasingly uncompetitive industrial base. But how will American business pay for its vitally important "reindustrialization" in this age of chronically high "real" interest rates and weakened corporate balance sheets?

Instead of looking to their bankers or the government, American managers must discover the unrealized potential of their existing assets, specifically their own vast real-estate holdings.

Corporate real estate—the buildings and land owned by companies that are not pri-

estate-business attitude. Other executives want to stay as far away from real estate as possible because many corporations have been badly burned in the volatile market of recent years. Boise Cascade, for instance, lost tens of millions of dollars from its development efforts when interest rates soared and sales nose-dived in the mid '70s. A few executives even view their real estate as "corporate mad money"—a form of financial security for bad times or a way to raise profit levels by selling assets.

Casually managed real estate is anything but a secure asset, thanks to increasingly stringent and changeable government land-use policies.

When one major oil company wanted to build a residential and commercial complex on empty land at its marina and hotel on the Florida coast, it discovered that the county government was adopting a general plan that would preclude exactly this kind of development. Had this company followed local Florida politics more closely and known about the forthcoming land-use legislation from the beginning, it might have started the residential and commercial project before the zoning change. Or it might have persuaded the county to permit additional development on the empty portion of the marina and hotel property.

Whether business executives are raising capital for modernization or thinking only of their balance sheet, how can they avoid multimillion-dollar calamities and realize the full value of their real estate?

Selling an under-utilized property is the obvious step for a company that wants an immediate infusion of cash. Such an out-

right sale represents, however, only a one-time boost in earnings per share.

Most companies can find a long-run approach that quickly raises their income and builds value for unforeseen needs. Take a Denver company, for example, that owned a vacant 16-acre site in an industrial area where the trend now is toward office, commercial and hotel uses. The management didn't want to pay taxes and insurance for empty land year after year. Nor did it want to "under-build" or sell the rapidly appreciating property for its then-current \$4 a square foot, either.

As part of a creative interim solution, this company has leased the land to an auto-parking firm, which must vacate the premises upon 90 days' notice after the first year of the lease. The property owner receives \$500,000 a year rent, plus a percentage override, while holding onto the land, which should dramatically increase in value during the coming decade.

The opportunities for corporate real estate are as numerous and various as the corporate owners. Rather than renting a space in a developer's new building, and perhaps negotiating a reduced rent if the market is soft, some major companies are now demanding equity in the project, because their presence creates value and often the builder needs their lease to obtain a loan. A few corporations have put up their land as equity in joint ventures with commercial developers. Others have traded unused property for a new building that has been constructed to their specifications.

Nor do corporations that have already built their own office buildings lack ways to boost their income. Some companies that rented out space to tenants in their own buildings are now buying back the leases, then re-renting the space for a profit.

The bottom-line opportunities of corporate real estate have always been present

Manager's Journal

by Christopher B. Leinberger

marily in the real estate business—accounts for at least 25% of most American corporations' total assets, according to a Harvard Real Estate Inc. study. Nonetheless, this same study estimates that 60% of all American companies do not consistently evaluate the performance of these holdings. I once visited a top-ranking corporate officer of a Fortune 500 firm with substantial real-estate holdings. As we stood at his window, which overlooked some of the company's property, the executive wondered out loud exactly how much of the firm's assets were tied up in real estate. "Maybe two or three billion," he commented, adding: "There is an internal debate as to whether we should even bother with an inventory."

Consider the costs of this lax management. One leading Southern California company operates extensive manufacturing facilities on land near a major Los Angeles metropolitan area airport that could be profitably developed. If the factories moved farther outside Los Angeles, the

Notable & Quotable

Calvin Coolidge, in his book "Founda-