



ROOT CAUSES OF HOUSING AND LAND JUSTICE: **TAXING RACE**

Local and state governments in the United States heavily rely on revenue from property taxes and rising land values to fund their budgets. In fiscal year 2020, property taxes generated more than 32 percent of total state and local tax collections.¹ This reliance creates a strong incentive to adopt policies that drive up property values. These include incentivizing private investment, attracting wealthy individuals, and displacing low-income households and communities of color who cannot meet their tax obligations.²

An example of this dynamic is New York City's historical reliance on property taxes for its revenue, accounting for 45% of the City's 2023 budget.³ The City has implemented various tax incentives, subsidies, and capital projects aimed at attracting affluent individuals and businesses. These actions have led to the concentration of wealth and an influx of high-income residents in certain neighborhoods, particularly in Manhattan. As a result, property values in these areas have risen, leading to increased property tax revenues for the City.⁴ This creates a feedback loop wherein the attraction of wealthier residents contributes to rising property values, leading to further revenue gains. This pattern perpetuates the concentration of wealth and can exacerbate racial and socio-economic disparities within communities.



Why Don't People Want to Buy Manhattan's Spectacular Mansions?, Bloomberg, 2018 & Zillow, 2023.

Washington, D.C. has the highest property taxes in the nation.⁵ The District once had one of the largest Black communities in the United States but saw the population decline by 32% between 1990 and 2010. Improvements in D.C.'s public amenities coupled with development of high-end housing for a population boom of predominantly high-income earners contributed to a spike in property values. These increases disproportionately displaced Black renters who could not afford the increase on rents. Rising land values led to rising property taxes, created housing cost burden and insecurity for

Black residents and contributed to the displacement of over 20,000 Black residents from 2000-2010.⁶

Meanwhile, attempts to solely cap property taxes have had adverse impacts on housing inequities. California's Proposition 13 passed by voters in 1978, limited the tax rate of all property, capped annual tax increases, and limited new property tax assessments. This decimated local governments' property tax revenue, which have been replaced by sales tax and hotel taxes.⁷ This change in tax revenue has hindered new housing development as local land use policies –especially in many suburban areas– favor the revenue-generating potential of commercial and retail development over residential development.⁸ This fiscal disincentive to build new housing contributed to a decades-long housing crisis that has exacerbated inequities between wealthy white communities and communities of color and contributed to a state housing shortage of nearly 2 million homes, especially homes affordable for low and moderate income Californians. Whether increasing taxes or capping them, when racial equity is not a consideration in the design of policies and unintended consequences are not considered the outcomes are harmful.

Local governments rely heavily on property taxes to fund schools, roads, police and fire departments, parks, and other services associated with residency or property ownership. These local public services then make municipalities more desirable, thereby increasing residential property value. Interrupting this harmful cycle of increased property values and spiraling housing costs requires new forms of progressive revenue for municipal budgets divorced from property valuation.

1 U.S. Department of Commerce, [Annual State and Local Government Finances Summary](#), 2020.

2 Desmond, Matthew. *Evicted: Poverty and profit in the American city*. Crown Books, 2016.

3 DiNapoli, Thomas. ["Residential Real Estate in NYC: Rising Tax Bills During COVID Fuel Disparities"](#). New York State Comptroller, 2023.

4 Caro, Robert A. "The Power Broker : Robert Moses and the Fall of New York. New York" 1974.

5 Tax Foundation, ["How Much Does Your State Collect in Property Taxes Per Capita?"](#) 2019.

6 Richardson, Jason; Mitchel, Bruce. ["Shifting Neighborhoods: Gentrification and cultural displacement in American cities"](#), National Community Reinvestment Coalition, 2019.

7 Levin, Matt. ["Too few homes Is Prop. 13 to blame for the state's housing shortage?"](#) Prop 13 California Dream Series. 2018.

8 Chew, A., Flegal, C. "Facing History, Uprooting Inequality: A Path to Housing Justice in California", Policy Link, 2020.

ROOT CAUSES AND SYMPTOMS OF HOUSING AND LAND INJUSTICE

