The Bernardsville News

When bumper stickers become policy

Posted: Friday, February 7, 2014 3:00 am
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Perceptions we are told are reality. However, if we see iron pyrite gold or fool's gold our perception does not make the iron pyrite gold. If we are driving on black ice and perceive that the road is wet, that perception does not melt the ice. When we perceive that we are getting a great deal on a used car when it is actually a dog, our perception does not repair the transmission or rejuvenate the battery. Perceptions only become reality in the political context. Unfortunately, the political context spawns public policy.

Local politicians faced with unrelenting increases in property taxation want to create the perception that these taxes are not their fault. Some blame state government which really has stolen large pieces of their tax base. Others blame "welfare loafers" or tax appeals. Now, some west New Jersey towns are blaming the Highlands Act.

The Act passed in 2004 is meant to insure safe drinking water for the northern half of the state and limit run off damage.

The story goes like this: since the Act was passed development has decreased in the Highlands towns and property taxes have soared because old ratables have been devalued and no new ratables have been built. To quote a local anti-Highlands pundit, "hundreds of thousands of Highlands's residents have been robbed of billions of dollars in equity." Didn't notice that billion dollar robbery? Neither did I and I live in the Highlands.

Back in 2004 when the Highlands Act was passed real estate equity was growing. In the next few years equity soared everywhere including in the Highlands, then in 2008 the real estate bubble burst. Property values fell sharply. This was not limited to the Highlands. The real estate bubble was a worldwide event and was not caused by regulating growth in a few New Jersey counties but by reckless speculation and bank fraud.

I know this to be true because I did a study of land values based on assessed values both inside and outside the Highlands. In the years following the enactment of the Highlands Water Protection and Planning bill values did not fall in the Highlands but rose sharply. This was true everywhere in New Jersey as assessed value records show. Then in 2008 values fell. This happened inside and outside the Highlands. Gradually in the years that followed values once again inside and outside the Highlands recovered.

This gives lie to the premise that the act adversely affected values and the economy. Further the widely held idea that development lowers property taxes by increasing ratables is false. Local politicians backed by developers have sung this siren song in New Jersey for generations.

But consider this. As the most densely populated state in the nation we have the most ratables per square foot in America. Now further consider that we also have the highest property taxes. Those two facts are irreconcilable. The formula; development=more ratables=lower taxes is wrong. Even in the short term the real formula is: development=more services=higher taxes.

Development benefits developers. It also benefits politicians in two possible ways: first they may get campaign donations or outright bribes from developers; second, they can claim to have lowered taxes. Development may also create jobs and help local businesses. But it does not lower property taxes on residential properties whether single family homes, condos or apartments.

In the face of this Pohatcong Township in Warren County has asked the State Legislature by formal resolution to place a tax on “Highlands” water and force communities outside the Highlands who use this water to compensate them for the higher taxes allegedly due to lack of development.

Thus a political slogan, a bumper sticker if you will takes a step closer to becoming policy. While no such tax will ever be considered much less passed, the concept of development as a tax solution and the concept of ownership of water resources are accepted.

New Jersey like a victim of anorexia has a distorted image of itself. The most densely populated state cannot grow itself into a tax solution. The proposed Rockefeller development, controversy aside, bills itself as a tax boon for Hoboken. Yet, under the present proposal it would not pay tax until around 2045 by which time the whole project would be depreciated to a small fraction of its proposed worth. We cannot make rational plans for the future of our state if we refuse to face the reality of our situation.

We do not have unlimited space nor do we have unlimited natural resources. Our location makes our state a great place to make money. We do not live in the 18th century when land was the measure of wealth.

Today, income, earned and unearned is our chief source of wealth and should be the sole source of our government spending not our properties.