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Obama and McCain on real estate and rural issues

By Curtis Seltzer

BLUE GRASS, Va.—Since I write a weekly column on country real estate, I decided to visit the websites of Senators Barack Obama (www.barackobama.com) and John McCain (www.johnmccain.com) to learn what they thought about my special interest.

Candidate issue positions are not promissory notes. They're more like inclinations, subject to whatever. Still, they suggest the direction in which a candidate prefers to fall.

First, however, I looked into what property each candidate owns.

Senator McCain, in a sense, “owns” the most real estate, which fell in his lap because he married a beer distributor’s daughter who took over the business and has money to invest. Mrs. McCain or her trusts own their real estate, which includes at least seven properties. Mrs. McCain bought three Phoenix condos and two in San Diego for \$11 million over the last four years.

Newsweek recently disclosed that Mrs. McCain failed to pay property taxes for four years on her La Jolla, Calif., condo where an elderly aunt lives. The back taxes were paid last week. This seems to be nothing more than a failure to receive the bill.

The McCains’ principal residence is a two-story, 8,500-square-foot condo complex in Phoenix, purchased in 2006 and 2007 for about \$5.5 million. When in Washington, the McCains live in a 2,100-square-foot condo purchased for \$375,000 in 1993. They also own a 6.5-acre, river-front house in Sedona, Az. (Christina S. N. Lewis, “From Their House to the White House,” Wall Street Journal, May 9, 2008.)

The evidence is that Mrs. McCain knows how to make money and invest in real estate. I could find no evidence that her husband shares her interest or savvy.

The Obamas paid \$1.65 million in 2005 for a three-story, 6,500-square-foot Georgian house across the street from a synagogue in Chicago’s Hyde Park neighborhood. They had owned a 2,200-square-foot condo since 1993, which they purchased for \$277,500 and sold for \$415,000. Money to buy the house came mainly from royalties the Senator earned for *Dreams From My Father*, his memoir. Neither the Senator nor his wife has any family money.

The Senator has denied that he did anything wrong when he bought this

house for 15 percent off the asking price as his friend, real-estate developer Antoin “Tony” Rezko, bought an adjoining lot on the same day for full price. Later, the Obamas bought a strip of this lot from Rezko for \$100,000. The house price was in line with comparable properties. No evidence has surfaced that the Senator has been involved with Rezko’s legal problems.

It looks to me as if Rezko knowingly helped the Obamas and the Obamas knowingly took his help—but there’s nothing illegal about any of that.

Neither Senator invests in real estate.

Neither has ever run a business or led a public agency. They’ve both been legislators.

They can be compared, however, in the organization of their campaigns and how they are managing this type of large, expensive and complex enterprise.

Senator McCain, who started as the favorite, survived a near-collapse last summer when his campaign almost ran out of money. He salvaged what he could, cut staff and expenses and improvised.

Yesterday, the Senator scrambled his campaign staff again, investing Steve Schmidt, a Cheney aide and the third political trail boss in a year to try to herd him into the White House, with “full operational control.” (Dan Balz and Michael D. Shear, “McCain Puts New Strategist Atop Campaign,” Washington Post, July 3, 2008.)

None of Senator McCain’s opponents had run in a presidential primary before, and their inexperience and weaknesses helped him survive. The Senator seems to be good at winging it; not so good as a manager in an organization implementing a plan.

Senator Obama used his grass-roots organizing experience to build voter support and win delegates. He worked the Internet to raise money better than any candidate in either party.

He won against a field of older and often more knowledgeable candidates who had better credentials and started in stronger positions. His campaign was better conceived, and he organized voters more effectively than his opponents. His rhetoric was fresh; he had style.

Since the end of WWII, America has elected only three Presidents with significant international, executive experience—Eisenhower, Nixon and George H.W. Bush. Senator Obama is the least experienced of any person who has either run for or was elected to the White House during these six decades. Yet, judged on his year-long campaign, he seems more methodical

and better at getting things done than most of these predecessors.

Senator McCain's individualism and temperament seem better suited to Senate dogfights where he's done more than his opponent. Senator Obama's skills seem better suited to executive management.

Neither Senators McCain nor Obama knows anything first hand about rural-land issues, farming or land-related environmental questions.

If primary voters had wanted country, Senator Clinton was available. She emerged wet but not drowned from Whitewater, a disastrous vacation-home development that soaked her and various associates for 20 years. And she did parlay \$1,000 into \$100,000 trading cattle futures in the late 1970s, back when a hoof was a hoof.

Neither Senators McCain nor Obama can match Senator Clinton's experience with land and cattle.

Senator McCain wants to:

- open foreign markets to American farmers;
- advocate fair trade from other countries and reduce trade barriers;
- support a risk-management program for farmers that includes enacting "reasonable reforms to our crop insurance program and our system of countercyclical and direct payments";
- focus farm policy on those with clear need--small farmers and rural communities;
- oppose subsidies to large commercial farms and cap subsidies to farmers whose adjusted gross income exceeds \$250,000;
- support a 21st Century green revolution--growing better crops using less land and resources; promote conservation of America's farmlands;
- restore rural prosperity and improve quality of rural life by lowering taxes and strengthening markets;
- fully fund food and nutrition programs; and
- oppose corn-based ethanol, subsidies to ethanol and the 2007 law that requires fuel marketers to blend 15 billion gallons of corn ethanol into U.S. fuel supply by 2015.

Senator Obama wants to:

- limit farm payments to \$250,000 so as to "help family farmers, not large corporate agribusiness" and prohibit mega farms from dividing operations to get around payment caps;
- maintain our export competitiveness by breaking down trade and investment barriers;
- enact a "packer ban," which would prohibit meatpackers from owning livestock;

- regulate pollution more strictly from feedlots and confined livestock operations;
- reinstate cap on the size of the livestock operation that can receive funding under the Environmental Quality Incentives Program (EQIP), so that the largest polluters pay for their own clean up;
- require country-of-origin labeling;
- encourage organic and local agriculture;
- assist young people to become farmers;
- provide capital-gains tax break for landowners who sell to beginning family farmers;
- make permanent farm disaster-assistance program;
- increase incentives for landowners to conduct sustainable agriculture and protect wetlands, grasslands and forests;
- put an “unprecedented level of emphasis” on the conservation of private lands;
- support rural small-business development, such as farm-based, value-added enterprises and farmer-owned processing plants;
- continue payment in lieu of taxes on federal lands;
- provide incentives to forest owners, farmers and ranchers to promote carbon sequestration through tree planting, grassland restoration and no-till farming;
- improve rural communication networks, like broadband;
- promote rural-based renewable energy, such as biofuels and wind;
- improve rural health care and education; upgrade rural infrastructure, combat methamphetamines; and
- increase funding to land-grant universities.

They share some views—both want to cap farm-subsidy payments and promote trade. Obama favors corn ethanol and its subsidies; McCain doesn't.

Here are some tax-related questions that bear on those who own country property:

Second-home ownership. Should there be more tax breaks, fewer, or the same?

Second homes and second-home developments are driving up rural land prices and values. In many parts of the country, farmland is too expensive to buy for farming and timberland is too costly to buy for producing timber. On the other hand, second homes usually turn out to be good investments, build the local tax base and push money through the rural economy. Should some amount of taxable gain be sheltered when a taxpayer sells a second home?

Capital gains. Is there an argument to eliminate capital-gains taxation on property sales by taxpayers who, say, show an adjusted gross income of \$100,000 or less? A tax break would help these taxpayers build wealth.

Retirement. Should tax policy be changed to make it easier to include real estate in individual retirement accounts?

Home-office encouragement. Most of us gain to the extent that all of us use less gasoline. Can we discourage commuting by providing tax credits to those who work from home? Is there a way to expense business-related mileage not driven to encourage telecommuting and home-office employment?

Conservation easements (CEs). Taxpayers get significant tax benefits for donating a conservation easement on land that has environmental importance. Wealthier taxpayers benefit the most from CEs. Should we rig tax benefits to favor these donations more, or less, or leave them alone? Should local governments get some payment to make up for the property tax lost on these easements?

Farm energy use. If we are trying to decouple ourselves from petroleum, might the next president consider giving a substantial tax credit to farmers and landowners who use less hydrocarbon fuels and inputs? Should the government tilt toward oil-lite agriculture?

Should farmers (and truckers, loggers and excavators) be allowed to expense the purchase of hybrid and all-electric equipment?

Family farming. Should farm income of, say, \$100,000 or less, be taxed at a lower rate to help individuals stay in small, family farming?

Timberland. Should we encourage private landowners to keep woods in timber production since public policy has backed out much public land from timber harvesting?

I should mention, finally, that both candidates are invited to visit Blue Grass this July for a full-immersion baptism by sweat into small family farming--working a hay wagon, cutting firewood and picking rocks out of the pasture, to name a few of the many character-building activities we enjoy.

Hillary, too, is welcome as long as we stick to cattle futures and avoid housing projects.

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