

We now present a spot-check study of all kinds of properties in Erie. Let the reader beware. To understand the following figures without first getting the basic theories clearly in mind is impossible. Please do not try it.

First, we have to institute the system. We start by setting forth the basic factors in our current system of taxation. The Real estate assessments in Erie are:

| | |
|-----------------|---------------|
| Land Values | \$ 61,215,920 |
| Building Values | 355,653,690 |
| Total | 416,869,610 |

Current Tax Computation

| | | |
|------------|-----------------------------------|-------------|
| City Tax | 10½ mills on \$416,869,610 yields | \$4,272,913 |
| School Tax | 13½ mills on " " yields | 5,631,864 |
| County Tax | 5.4 mills on " " yields | 1,407,966 |

Note: County tax figures are adjusted and approximated

School and County taxes must be levied against the total land and building assessment as before. Only the City tax can be levied against land values. Since it is necessary to raise at least \$4,272,913 from land values, we find that it will be necessary to levy a total of 70 mills against the land value assessment figure. 70 mills on \$61,215,920 will yield \$4,285,114. Having established this fact we can take each individual land value in the city and multiply by .070. It is a mathematical certainty that when all properties have been figured the sum of \$4,285,114 will result. However, taxes will vary greatly on individual properties. Whether taxes are raised or lowered all property owners can now improve their sites

Take a Look at Industry

Our first group of properties will be industrial. A land value tax always benefits the "doers", or the producers. An industry must invest heavily in buildings in order to house its operations. It does not require very expensive land sites. If we wish to increase the power of local industries to produce we must stop penalizing them every time they are obliged to improve their plant equipment. If we really want to attract additional industries we must place ourselves in a truly competitive relationship with other cities. A land value tax tends to lower the price of land and by taking taxes off of buildings and taxing land value instead we set the stage for prospective industries to acquire land sites and to erect new buildings at greatly reduced tax rates.

| INDUSTRY | ASSESSMT ON LAND | ASSESSMENT ON BLDG. | CITY TAX NOW | LAND VAL TAX, IF- |
|----------------|---------------------|------------------------|-----------------|----------------------|
| Hammermill | \$895,220 | \$10,852,830 | \$120,417 | \$57,750 |
| Bucyrus-Erie | 295,950 | 2,724,530 | 30,959 | 20,716 |
| Erie Forge | 621,500 | 3,832,670 | 45,654 | 43,505 |
| Kaiser Alum. | 269,300 | 2,096,580 | 24,250 | 18,851 |
| Lord's Mfg. Co | 51,761 | 1,119,940 | 12,009 | 3,623 |
| Erie Malleable | 110,480 | 870,530 | 10,055 | 7,754 |
| Hays Mfg. Co. | 45,150 | 662,620 | 7,254 | 3,160 |
| Griffin Co. | 73,440 | 769,390 | 8,639 | 5,140 |
| Urick Foundry | 21,780 | 233,680 | 2,618 | 1,524 |
| Zurn Industry | 48,670 | 348,360 | 4,069 | 3,406 |
| Erie Resistor | 36,880 | 253,700 | 2,978 | 2,581 |
| Cdin Stove Co. | 52,120 | 179,370 | 2,372 | 3,648 |
| Ellanes Corp. | 26,300 | 254,220 | 2,875 | 1,841 |
| Phillips | 4,210 | 51,600 | 588 | 294 |
| Mac-Erie Mfg. | 3,180 | 51,980 | 565 | 222 |

Land Value Ordinary—
Buildings Big and New

| | | | | |
|------------------|-----------|--------------|-----------|----------|
| 24 Apartments | | | | |
| Bldwn Gardens | \$356,640 | \$ 5,396,880 | \$ 58,973 | \$24,964 |
| Warehouse | | | | |
| 1920 Baur | 3,840 | 65,760 | 713 | 268 |
| Bennett Stor- | | | | |
| age-602 E-25 | 3,130 | 39,770 | 439 | 219 |
| Anderson Amus. | | | | |
| 314 E 11th | 1,740 | 58,130 | 613 | 121 |
| Westinghouse | | | | |
| Hess St. | 2,780 | 62,030 | 664 | 194 |
| Apertments | | | | |
| 2320-66 Bflo Rd. | 8,240 | 66,900 | 770 | 576 |

To figure your L.V.Tax multiply your land value by .070.

in any way they might choose without incurring any further tax assessment.

In Erie the assessed building values are 5.8 times as high as land values. Because of this ratio each individual property tax will be effected, either favorably or adversely, depending upon the ratio of land and building value. To have the same tax as before the property in question should come up to the average in the city. To get a lower tax bill the building value should be more than 5.8 times as high as the land value. To get a higher tax bill one has to be guilty of allowing his improvement value to fall below the 5.8 to 1 ratio. The owner of vacant land will find his tax bill 5.8 times as high as before.

This is strictly as it should be. Under land value taxation it will no longer be profitable to buy up large areas, enjoy low tax rates while the land increases in value, and then sell the land at a high profit. This practice tends to penalize all who improve their properties. The industrius must always pay the bill when the land speculator collects his profit. If a man finds himself caught with a great deal of vacant land and little else, he need not be ruined. He can always sell part of his land and improve those parts which he can afford to develop.

Please note as you scan the figures that those who show initiative are immediately rewarded. Also, please bear in mind that a tax policy that does not discourage building holds tremendous promise for the future. If some have gone ahead in spite of the present tax policy just imagine what such citizens would do under a proper arrangement of affairs.

Easing the Pressure

In instituting a land value tax system assessments on land should be at least 10% below the actual market value. This necessity will require some alterations on land assessments in Erie. Actual assessments on land in Erie's high land value districts are too high. The local assessor knows this. However, under the present system, with building values in downtown Erie being so low, it would have been impossible to raise proper revenues for the city from these important sites if land had been assessed below the actual market value. Owners of downtown properties have NOT been paying too high a tax rate in consequence. In switching over to a land value tax the assessments should be more accurate. In reporting on State Street properties we are arbitrarily, with the approval of the assessor, reducing land assessments by 25%.

Big "Name" Buildings in Erie

| PROPERTY IDENTIFICATION | ASSESSMT ON LAND | ASSESSMENT ON BLDG. | CITY TAX NOW | LAND VAL TAX, IF- |
|----------------------------|---------------------|------------------------|-----------------|----------------------|
| Warner Theater* | \$ 89,857 | \$ 565,130 | \$ 7,020 | \$ 6,289 |
| Boston Store* | 550,522 | 3,236,690 | 40,699 | 38,536 |
| Palace Hdqrs.* | 68,977 | 191,820 | 2,908 | 4,828 |
| New Bldwn Bldg.* | 175,470 | 839,240 | 11,021 | 12,282 |
| Lawrence Hotel* | 194,070 | 707,700 | 9,906 | 13,584 |
| Downtowner Mtl | 56,020 | 400,180 | 4,676 | 3,921 |
| Travelers Bldg | 36,420 | 255,680 | 2,994 | 2,549 |
| Stanley Bros. | 19,690 | 116,140 | 1,392 | 1,378 |
| Niagara Motel | 10,020 | 287,660 | 3,051 | 701 |
| U. S. Printing | 45,940 | 339,870 | 3,954 | 3,215 |
| Trasks (827)* | \$213,620 | \$ 318,050 | \$ 5,449 | \$ 11,215 |
| Jays (928)* | 246,390 | 161,950 | 4,185 | 12,935 |
| Meyers (817)* | 141,940 | 80,420 | 2,279 | 7,451 |
| Duggan-Rider* | 32,610 | 41,580 | 760 | 2,445 |
| 1st Nat. Bnk* | 57,450 | 103,880 | 1,653 | 4,308 |

Land Value High—Buildings Obsolete

| | | | | |
|----------------|---------|--------|-------|-------|
| Elks Club* | 54,120 | 32,810 | 882 | 2,841 |
| Bldwn Office* | 111,200 | 37,980 | 1,529 | 5,828 |
| Lark's Rest.* | 51,190 | 31,940 | 843 | 2,687 |
| Casual Shop* | 44,410 | 12,230 | 574 | 2,331 |
| Rolen's (931)* | 88,500 | 21,570 | 1,117 | 4,646 |

* Land value tax adjusted on basis of 25% reduction of land value.

THE TAX ON YOUR HOME

In listing residential properties, it is best to select a block of homes on the same side of some street. If anyone wishes, he can slowly cruise down a street and check the figures against the properties. We will list a group of very small homes - then we will list a group of better homes, indicated by increases in land as well as increases in building values. Then we will list some of the more modern and expensive homes. These will have exceptionally large lots.

Decay and blight are always apparent in our cities, not only in the main business sector but in a large area encircling the business district. A proper tax policy will correct this condition and lead to the erection of many apartments and commercial buildings. This will have a tendency to increase the population at the center of the city, make walking to work possible for many who are inclined to prefer living near the heart of things. We will also list a stretch of properties in the business perimeter on 6th Street just East of French.

Legend: GT City Tax Now GT Land Value Tax, If--

A Group of Very Modest Homes

A Group of new but small Homes

Average Homes on Average Sized Lots

| ADDRESS | LAND | BLDG. | TOTAL | CT | GT |
|------------|------|-------|-------|----|----|
| 102 Parade | 360 | 4,720 | | | |
| 102 Parade | 410 | 5,190 | 5,600 | 57 | 29 |
| 106 Parade | 280 | 4,370 | 4,650 | 48 | 20 |
| 108 Parade | 280 | 5,350 | 5,630 | 58 | 20 |
| 112 Parade | 430 | 7,610 | 8,040 | 82 | 30 |
| 116 Parade | 430 | 6,060 | 6,490 | 66 | 30 |
| 118 Parade | 400 | 3,320 | 3,720 | 38 | 28 |
| 120 Parade | 400 | 3,790 | 4,190 | 43 | 28 |
| 122 Parade | 400 | 3,790 | 4,190 | 43 | 28 |
| 124 Parade | 400 | 3,330 | 3,730 | 38 | 28 |
| 132 Parade | 400 | 9,160 | 9,560 | 97 | 28 |

| ADDRESS | LAND | BLDG. | TOTAL | CT | GT |
|----------|------|-------|-------|----|----|
| 319 Hess | 620 | 5,970 | 6,590 | 67 | 43 |
| 323 Hess | 630 | 6,010 | 6,640 | 68 | 44 |
| 327 Hess | 670 | 8,000 | 8,670 | 89 | 47 |
| 331 Hess | 770 | 7,300 | 8,070 | 83 | 54 |
| 405 Hess | 630 | 8,210 | 8,840 | 88 | 44 |
| 409 Hess | 630 | 5,970 | 6,600 | 67 | 44 |
| 413 Hess | 670 | 7,470 | 8,140 | 83 | 47 |
| 417 Hess | 730 | 6,620 | 7,350 | 75 | 51 |
| 421 Hess | 670 | 6,090 | 6,760 | 69 | 47 |
| 425 Hess | 630 | 5,970 | 6,600 | 67 | 44 |
| 429 Hess | 670 | 5,970 | 6,640 | 68 | 47 |

| ADDRESS | LAND | BLDG. | TOTAL | CT | GT |
|------------|------|--------|--------|-----|----|
| 3014 Peach | 920 | 6,140 | 7,110 | 72 | 64 |
| 3018 Peach | 580 | 9,350 | 9,930 | 102 | 41 |
| 3022 Peach | 640 | 7,940 | 8,580 | 88 | 45 |
| 3026-8 Pch | 1330 | 5,100 | 6,430 | 66 | 93 |
| 3102-4 Pch | 1150 | 12,500 | 13,650 | 140 | 80 |
| 3106 Peach | 1150 | 6,170 | 7,320 | 75 | 80 |
| 3110 Peach | 890 | 9,550 | 10,440 | 107 | 62 |
| 3114 Peach | 890 | 12,500 | 13,390 | 137 | 62 |
| 3118-20 P. | 890 | 12,280 | 13,170 | 134 | 62 |
| 3122 Peach | 890 | 4,970 | 5,860 | 60 | 62 |
| 3126 Peach | 890 | 5,200 | 6,090 | 62 | 62 |

Suburban Homes—Medium Priced

Expensive Homes on Large Lots. (Exclusive)

Downtown Perimeter—Buildings mostly obsolete

| | | | | | |
|---------------------------|------|--------|--------|-----|----|
| 402BvrllyDr | 1210 | 11,460 | 12,670 | 130 | 85 |
| 406 Bv.Dr. | 1210 | 9,950 | 11,160 | 114 | 85 |
| 410 Bv.Dr. | 1210 | 10,650 | 11,860 | 121 | 85 |
| 414 Bv.Dr. | 1210 | 9,390 | 10,600 | 108 | 85 |
| 418 Bv.Dr. | 1210 | 10,280 | 11,490 | 117 | 85 |
| 422 Bv.Dr. | 1210 | 11,690 | 12,900 | 132 | 85 |
| 426 Bv.Dr. | 1210 | 9,970 | 11,180 | 114 | 85 |
| 430 and 434 (same as 426) | | | | | |

| | | | | | |
|------------|------|--------|--------|-----|-----|
| 1410 S.Sh. | 7930 | 30,430 | 38,360 | 393 | 555 |
| 1420 S.Sh. | 7530 | 31,360 | 38,870 | 398 | 527 |
| 1430 S.Sh. | 6880 | 27,870 | 34,750 | 356 | 481 |
| 1440 S.Sh. | 6880 | 49,080 | 55,960 | 573 | 481 |
| 1440 S.Sh. | 3930 | None | 3,930 | 40 | 275 |
| 1460 S.Sh. | 9830 | 36,920 | 46,750 | 479 | 688 |
| 1470 S.Sh. | 6680 | 43,100 | 49,780 | 510 | 467 |
| 1480 S.Sh. | 5010 | 41,940 | 46,950 | 481 | 350 |

| | | | | | |
|------------|-------|--------|--------|-----|-----|
| 113 East 6 | 2,370 | 9,420 | 11,790 | 120 | 165 |
| 115 East 6 | 1,210 | 3,420 | 4,630 | 47 | 85 |
| 117 East 6 | 2,730 | 7,760 | 10,490 | 107 | 191 |
| 121 East 6 | 2,480 | 11,250 | 13,730 | 140 | 174 |
| 125-7 | 2,410 | 6,250 | 8,660 | 89 | 168 |
| 131 East 6 | 2,410 | 6,590 | 9,000 | 92 | 168 |
| 135 East 6 | 3,530 | 55,360 | 58,890 | 603 | 247 |
| 139 East 6 | 2,490 | 16,510 | 19,000 | 194 | 174 |

A Trip Out State Street

| NUMBER ON STATE | TAXPAYER | LAND VALUE | BUILDING VALUE | CITY TAX | L.V. TAX |
|----------------------|-------------|------------|----------------|----------|----------|
| 2808 | Narducci | \$2,410 | \$42,120 | \$456 | \$168 |
| Vac. Lot | | 2,270 | | 23 | 159 |
| 2814 | Wilcox | 2,060 | 51,300 | 546 | 144 |
| 2822 | Christopher | 2,060 | 11,190 | 135 | 144 |
| Vac. Lot | | 1,800 | | 18 | 126 |
| WEST 29TH INTERSECTS | | | | | |
| 7 W. 29th | | 2,760 | 29,550 | 331 | 193 |
| 2906-08 | | 2,060 | 13,720 | 162 | 144 |
| Vac. Lot | Moss | 2,060 | | 21 | 144 |
| 2914 | Jones | 2,060 | 9,000 | 113 | 144 |
| 2922 | Schneider | 2,060 | 14,730 | 172 | 144 |
| 2926 | Press | 2,060 | 15,540 | 180 | 144 |
| WEST 30TH INTERSECTS | | | | | |
| 3004-06 | Schaff | 4,120 | 58,310 | 639 | 288 |
| 3012 | Schaff | 4,120 | 58,050 | 637 | 288 |
| 3018 | Ainsworth | 2,060 | 12,820 | 152 | 144 |
| 3024 | Baldwin | 4,120 | 33,210 | 382 | 288 |
| WEST 33RD INTERSECTS | | | | | |
| 3304 | Kwistkowski | 2,600 | 16,600 | 197 | 182 |
| Vac. Lot | Kwistkowski | 1,120 | | 11 | 78 |
| 3308 | Klebes | 2,240 | 25,180 | 281 | 156 |
| 3314 | Coyle | 3,360 | 11,970 | 157 | 235 |
| 4 W. 34th | Shuffstall | 2,390 | 10,620 | 113 | 167 |
| WEST 34TH INTERSECTS | | | | | |
| 3404 | Aledel Co. | 2,710 | | 250 | 189 |
| Vac. Lot | Astrow | | | 11 | 78 |
| Vac. Lot | Astrow | | | 11 | 78 |
| Vac. Lot | Schaff | | | 22 | 156 |
| Vac. Lot | Katz | | | 28 | 196 |
| WEST 35TH INTERSECTS | | | | | |
| Vac. Lot | Young | 2,800 | | 28 | 196 |
| Vac. Lot | Airways | 5,480 | | 56 | 383 |
| Vac. Lot | Airways | 7,840 | 68,320 | 780 | 548 |
| Vac. Lot | Baldwin | 2,240 | | 22 | 156 |
| Vac. Lot | Baldwin | 1,680 | | 17 | 117 |

| NUMBER ON STATE ST. | TAXPAYER | LAND VALUE | BUILDING VALUE | CITY TAX | L.V. TAX |
|--|-------------------------------------|------------|----------------|----------|----------|
| WEST 36TH INTERSECTS | | | | | |
| 5 W. 36th | Sims | 2,020 | 22,510 | 251 | 141 |
| 3612 | Riet | 2,690 | 34,260 | 378 | 188 |
| 3616 | Klich | 1,680 | 13,970 | 160 | 117 |
| 6 W. 37th | Rohl | 2,480 | 27,400 | 306 | 173 |
| WEST 37TH INTERSECTS | | | | | |
| 7 W. 37th | Stein | 2,170 | 21,960 | 247 | 151 |
| 3714 | Frampton | 2,690 | 19,470 | 227 | 188 |
| 6 W. Metc. | Anthony | 2,350 | 17,040 | 198 | 164 |
| WEST METCALF INTERSECTS | | | | | |
| 5 W. Metc. | Heyl | 2,350 | 18,960 | 218 | 164 |
| Remainder of Block | Exempt. Church of Latter Day Saints | | | | |
| WEST 38TH INTERSECTS | | | | | |
| 3808 | Minabed | 5,100 | 30,770 | 367 | 357 |
| 3818 | Endean | 4,870 | 23,600 | 291 | 340 |
| 3826 | Walbridge | 4,870 | 28,460 | 341 | 340 |
| 3838 | Chestner | 4,870 | 44,210 | 503 | 340 |
| 3848 | Cutri | 4,870 | 20,340 | 258 | 340 |
| 3858 | Marquardt | 4,590 | 32,170 | 376 | 321 |
| WEST 39TH INTERSECTS | | | | | |
| 3906 | Dwyer | 4,550 | 33,660 | 391 | 318 |
| Vac. Lot | Haas | 4,550 | | 46 | 318 |
| 3926 | Shubert | 5,710 | 29,950 | 365 | 399 |
| Vac. Lot | Merwin | 3,390 | | 34 | 237 |
| 4010 | Merwin | 3,390 | 34,060 | 383 | 237 |
| 4020 | Crawford | 5,800 | 24,810 | 334 | 406 |
| TURN HERE TO CHECK EAST SIDE OF STATE STREET GOING NORTH | | | | | |
| 4021 | Kimmel | 5,740 | 43,180 | 501 | 401 |
| Vac. Lot | Colussi | 5,250 | | 53 | 367 |
| 3927 | Weschler | 6,250 | 35,330 | 426 | 437 |
| 3919 | Phillips | 6,250 | 32,170 | 393 | 437 |
| 3901 | Britton | 6,250 | 29,350 | 364 | 437 |
| EAST 39TH INTERSECTS | | | | | |
| 3857 | Baldwin | 6,750 | 61,900 | 703 | 472 |
| 3845 | Spitzer | 5,250 | 21,590 | 275 | 367 |
| 3827 | Fainstein | 10,500 | 36,370 | 480 | 735 |
| Vac. Lot | Devore | 5,250 | | 53 | 367 |
| Vac. Lot | Bougie | 5,500 | | 56 | 385 |

Erie Land Tax Association

ELTA

1112 Peach Street

GL 6-2995

THE KEY

You will find it impossible to make any sense out of our discussions of land value taxation until you have managed to get a few simple relationships straight.

THIS IS HOW WE SET IT UP

| | |
|---|----------------|
| Building value assessments in Erie are: | \$ 355,653,690 |
| Land value assessments are: | 61,215,920 |
| Total, Land and Buildings, are: | 416,869,610 |

All taxes now are calculated on the total value of land and buildings. It is now possible for us to levy all city taxes on land value. School and County taxes will continue to be levied against land and buildings together.

In examining the land and building assessments you will see that building values are 5.8 times higher than land values. This means that the ratio of building value to land value is 5.8 to 1. This is very significant.

When taxes are taken off buildings and levied against land value alone, all building values are disregarded. Since the city will be obliged to raise a budget of \$4,272,913 on land it will have to increase the millage from 10¼ on land and buildings together, to 70 mills on land alone. This will yield \$4,285,114.

With the scale of taxation thus instituted taxes on all individual properties change, unless the building value of a property is exactly 5.8 times higher than the land value. In such an instance, and there will be many properties that will fall in this class, give or take a little, the tax will be exactly the same under either system. Where the building value is more than 5.8 times higher than the land value the tax will be lower under a land tax system. Where the building value is less than 5.8 times higher than the land value the tax will be higher than it is now.

FOUR TYPES OF PROPERTY — There are four general types of property that will concern us. First, the downtown business district, especially State Street; second, the usually blighted area surrounding the downtown district, which we call the downtown perimeter; third, the residential areas; and fourth, the industrial.

Generally speaking the downtown business district and the downtown perimeter are paying less under the conventional system than they would under the land tax system. This is because owners of these properties have failed to keep their properties in good repair. Instead of having good buildings on State Street we have to put up with buildings from sixty to one hundred and ten years old. This is a direct result of our tax policy. If a landholder were to build a really good building his taxes would be so high that he could not make his investment pay. Under the present system,

with taxes on old worn out buildings being reduced every decade, he can pocket the sizeable rents obtainable from business establishments and make a clean profit year after year. Meanwhile the city is obliged to accept lower revenues and it must turn to the homeowners and to industry to make up the difference. This has been going on too long.

In order to get a picture of how a land tax will effect various types of properties one must understand how these areas are affected. Under a land tax system taxes on downtown properties will be increased. There will be a few exceptions. Where the owner has invested heavily in a good building the new system will reward him with a lower tax and so make it more profitable to have gone ahead with his improvements. As the downtown area begins to pay its fair share of the tax load the homeowners and the manufacturers will find their taxes reduced. Everyone will enjoy the added privilege of improving their properties without any fear of having their taxes increased.

TAXES DICTATE BEHAVIOR

Whatever tax policy happens to be in vogue there is always a tendency for that policy to dictate the behavior patterns of landholders. Under the present policy owners of vacant land are encouraged to hold their land out of use until they can realize a substantial profit. Hence, the vacant lots, here, there and everywhere. Under a land tax policy owners will be encouraged to either sell or improve their lots. In less than two years all the pain that a switch in taxes might evoke will be gone. Everyone will have adjusted and all will be better off.

Owners of downtown business sites are now encouraged to pocket all the rent and let their buildings rot. Hence the long line of the old, junky buildings from fourth to fourteenth. Under a land tax system, with taxes off buildings, they will be encouraged to invest in good buildings in order to make the ownership of their sites bring proper returns.

Owners of old buildings in the downtown perimeter are now encouraged to hold out for fabulous prices, and meanwhile let their buildings go from obsolescence to dry rot. Hence, the ugly area rimming the central

city. Under a land tax policy they will be obliged to "get a move on". Either they will elect to sell or they will choose to build the kind of buildings that would bring them proper returns. In a few years the downtown perimeter would become a place of attractiveness and beauty, with fine apartments and good commercial buildings taking the place of the old, ratty houses, and down-at-the-heel emporiums of yester-year.

Industries, under the present policy, are penalized every time they plan to expand. Hence, many of Erie's plants are obsolete and almost empty. This causes owners to consider moving their operations elsewhere. A land tax will encourage them to modernize their

plants in Erie and thus they will provide jobs for Erie people and be able to meet competition in the pricing of their goods.

Homeowners under the present policy have to restrict the size and quality of their homes. Hence, the tendency, a direct result of tax policy, for young married couples to build small, and as the family grows, to be obliged to live in cramped quarters. Taxes are driving us to build smaller and smaller homes and to drive in smaller and smaller cars. When will we wake up and see what they are doing to us? Stop taxing buildings and watch homeowners build sooner, bigger and better. It will change the face of the residential areas in a town.

COPY OF A LETTER TO AN EXECUTIVE OF THE ERIE INSURANCE EXCHANGE WHO ASKED TWO QUESTIONS OF THE WRITER.

Dear Mr. X:

In our brief conversation you asked me two questions. Allow me to discuss the first: Since we have a lot of extra parking space at the EIE how much more in taxes would we have to pay under the land tax policy?

Your apprehensions about the probable increase in taxation on the property of The Erie Insurance Exchange were most surprising. I knew approximately how the proposition would shape up, but I was hardly prepared for what actually happened. I gathered from your conversation that you must have a great deal of land adjacent to your building.

In listing your figures I have separated the main property from the adjacent properties. In this way you can see how the land value tax would treat such section.

| | LAND | BUILDING | TOTAL | City Tax | Land Tax |
|---------------------|----------|-----------|-----------|----------|------------|
| Main Property | \$11,580 | \$734,100 | \$745,680 | \$7,643 | \$ 810.00 |
| Adjacent Properties | 8,770 | 51,520 | 60,290 | 618 | 611.00 |
| TOTALS | \$20,350 | \$806,070 | \$826,420 | \$8,261 | \$1,424.00 |

Mr. Hirt told me that two properties on fifth street had been offered to the EIE for \$40,000. The total assessment on these properties is only \$1,650. Under a land tax policy the tax on both will be increased. The land will become available at a lower price and if the EIE wanted the property for building purposes or for parking their situation would be much better. Land value taxation rewards the people who want to use land. It is rough on those who just sit around and hope for a windfall to come their way.

Your second question was: If taxes on slum properties are to be increased what will happen to the owner of a slum property who is a colored man and very poor? Will his taxes be greatly increased?

Let us examine the facts. Go to any slum area where colored people live and check on the kinds of houses owned by responsible colored people. When you locate a house that has a colored owner, what do you find - a tumble down shack? Never. It is always a house, poorly located, to be sure, on very cheap land, but it is a house that is worth buying, as cheap houses in such neighborhoods go. All the shacks and down-at-the-heel shelters which once were houses are being rented. No self-respecting colored person with a steady job would live in them to begin with, and he wouldn't be caught dead owning such a piece of junk. But the white slumlord will own such a place and will get as much out of it as he can with the stipulation that he will never spend a nickle for repairs.

I checked three houses owned by colored people. Two were small and very modest. One was a four family apartment building.

340 East 14th (modest home, well kept) Land - \$330 Bldg. \$3,690

City Taxes now are \$41.20 Land Value Tax would be \$23.10

238 East 13th (old house, improved recently) Land - \$450 Bldg. \$4,770

City Taxes now are \$53.00 Land Value Taxes would be \$31.00

1301 Holland (four family apartment bldg.) Land - \$520 Bldg. \$11,500

City Taxes now are \$123.00 Land Value Tax would be \$36.40

In those cases where the building value is so low that it scarcely adds anything to the tax bill now, the tax will go up under a land tax system. The slumlord would do one of two things. He would start to fix the place up or he would sell out. If he decides to fix it up he would then be making a contribution to the improvement of housing conditions in the slums. To begin with there will always be a few who will decide to fix things up. This will attract tenants from worse places and owners of places being vacated will be obliged to fix their buildings up, for slum lords are in competition with other slumlords for tenants.

Erie Land Tax Association

ELTA

1112 Peach Street

GL 6-2995

BULLETIN

People who are doing business in Downtown Erie need to understand the basic economics of Land Value Taxation, (LVT). Two kinds of operators are involved, the renters and the landholders.

LVT is good for each group but each must understand the advantages that are involved. Let us consider first the renter.

It is not the landholder who fixes the rent. He is in competition with other landholders for renters and must abide by the conditions of the open market. Rent of downtown locations is based largely upon the number of people who pass the site. This will depend upon the size of the city, the proximity to other stores and offices and the general drawing power of the area. Naturally the rent will be affected by the condition of the building but unfortunately this factor is nullified to a large degree when there are no really good buildings in the area.

Renters on State Street are going on strike. A renter does not like trying to start a new venture in an old building. Since he is saddled with the maintenance of the building he is reluctant to expose himself to the high probability of failure.

Under the LVT policy taxes will be increased on those very valuable sites where buildings are obsolete. It must be understood however that an increase in the tax on the land will not and cannot increase the rent. An increased tax due to LVT must be borne by the landholder. Only two factors can increase the rent. First, more people coming regularly into the area to shop, and second, a new building, which is attractive and worth more to the renter. Most renters are willing to pay higher rents for good accommodations.

If landholders want to secure their position in downtown Erie, where \$300,000,000 worth of business is done each year, they must provide an attractive atmosphere for shoppers in general, and to do this they must build new buildings. This they cannot and will not do under the present tax policy. The proof of this statement is everywhere.

But can the landholders stand having their taxes increased on the land with the understanding that the tax on improvements will be cancelled? There will be a period of transition. Will the landholders be able to take the blow?

We think of a man clinging for dear life to a log in a swiftly moving stream. If he hangs on he will wear himself out and have no strength to get to shore. But the act of letting go involves his going under the log and bobbing up on the other side. If he lets go now and gambles on the only avenue of escape that there is, he might come up and eventually reach the shore.

What will happen to Erie landholders in the downtown area if they let go of the log now? Can they survive? We say they can and that they have only a short time in which to make up their minds. Look at the trend now. There are thirty main floor vacancies on State Street between 4th and 14th. They are all in old buildings.

We have difficulty in getting accurate figures on all properties. Therefore, we suggest that each store manager do a bit of calculating. He knows what rent he is paying.

He knows when the building was built. If it is fifty years old it has paid for itself. Therefore it has no real "book value". It does have some "use value" but the owner depreciated this 100% years ago. Every cent derived in rent is "land rent". Investment in capital goods is nil.

Let a manager get out his tax duplicate and examine the figures. Under the present system the city tax is computed by adding the land and building assessments and multiplying by .01025. School taxes are computed by multiplying the same figure by .01350. To get an approximation of the County tax multiply by .005. Add these and you have the total tax take of City, School and County.

You know approximately how much the insurance is. You know how much, if any, the landholder has agreed to do in the way of maintenance. Add these to the tax bill and subtract the total from the rent received. This will represent the profit of the landholder. Multiply this figure by 20 and you will have the capitalized worth of the property under the present system with 5% as the basis of your computation.

Now turn to the city tax duplicate and take only the land value and multiply it by .070. This will give you the city tax under the LVT policy. Scratch out the former city tax and enter this last figure in its place. Add the three and you have what the total tax take would be should the LVT policy be adopted.

Now follow the same procedure in ascertaining the capitalized value of the property. In most cases this will have been lowered but the threat of having to pay excessive taxes on a new building has been removed. Can the landholder survive long enough to get to shore, shore being a generally improved and more attractive shopping center, and a nice new building in which to house the store.

If your figures show that the squeeze will be a bit tight, just remember that the landholder has been salting his profits away for many years. He has put nothing back but has been depending upon the location factor to get him by.

Land value taxation maximizes the importance of investing in capital goods. Buildings have to be built and in the building will provide wages for labor and profits for building supply houses. LVT will minimize the advantage of investing in land as such. This will be good for all who are willing to work for their living.

IN THOSE CASES WHERE THE LANDHOLDER IS ALSO THE PROPRIETOR THE FUNDAMENTAL ECONOMICS REMAIN UNCHANGED. FOR PURPOSES OF DISCUSSION WE MUST SEPARATE THEM IN OUR THINKING.

