

# Erie Land Tax Association

## ELTA

1112 Peach Street

GL 6-2995

April 24, 1962

Special Message to Members of  
The Citizens Action Committee  
Erie, Pennsylvania

Gentlemen:

We realize that our prestige as a group of Erie Citizens is not as high as that enjoyed by your distinguished Committee. Some of you might think it presumptuous of us to inject our thoughts into your council, but ideas are the stuff out of which every physical advance in civilization is made. We believe that some of our ideas at this time are particularly relevant to the problems which we understand your committee will be considering in the next few days.

No doubt you are familiar with the fact that Erie, as a Third Class City, is now entitled by law to shift its City Tax from buildings to land value. ELTA is organized to educate the citizens of Erie on the many advantages of adopting this procedure. We know that you are wrestling with the problem of downtown reconstruction, and we would like to present some pertinent facts which might have some bearing on the problem at hand.

By 1925, Pittsburgh had finished the process of taking 50% of its city taxes off buildings and improvements, and transferring them to land value. Today in Pittsburgh, the city tax on land consists of a levy of 37 mills on all land assessments, and 18½ mills on all building assessments.

By the time the City Planning Commission in Pittsburgh decided to move toward the problems involving the proposed "Golden Triangle", this shift of a heavier tax to land value had already substantially lowered the selling price of all downtown land sites. When the commission moved in, armed with the right of eminent domain, it already had a powerful weapon at hand. Land prices had been partially deflated.

As we all know, when it becomes known that some responsible group is interested in certain sites, the holders of these sites demand excessive prices. But the City Commission had two powerful weapons to fight off this usual condition. First, land prices in all downtown Pittsburgh had been lowered by the operation of the Graded Tax Law. For years firms desiring to buy land sites had enjoyed this advantage even though the amount of land value taxation enjoyed in Pittsburgh was small.

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Second, the commission went to work armed with the right of eminent domain. Prices eventually paid landholders were high enough. They always are when commissions condemn certain areas. However, the prices were much lower than they would have been had the two above mentioned conditions not existed.

Equitable Life and the Bell Telephone Companies were able to get possession of this land more reasonably than they could have done normally. Despite the fact that many people are suspicious of this tendency of a land value tax to deflate the price of land, it remains a fact that progress is literally "hung up" because of the exorbitant prices being demanded everywhere for prime land.

When the land in the Triangle became available at such reduced prices, and when buyers were found who were willing to pay the prices being asked, there came into play the third important factor which made the project so remarkable. Builders discovered that they could plan good, high-rise buildings with much less tax penalty than was being imposed in any other city in the country.

It is not generally recognized by native Pittsburghers that these were the factors that made possible the Pittsburgh Golden Triangle Development. Insiders understood these facts, but they were not heralded in the press, nor explained to the public. You can go to Pittsburgh today, and not one person in one hundred could give you any reason why the City Planning Commission was able to do what it did. It was assumed that the Commission just worked harder and "hung in there" with more bull dog tenacity than did officials in other cities. This is pure nonsense. If such advantages had been available, Pittsburgh would not have been the only town of its type to crash through.

All this can be grist for the mill as the CAC wrestles with the problems of Erie's downtown obsolescence. You are about to hear a speaker with considerable experience in the field of city planning. Unless she is the exception, she will know nothing about the potential of land value taxation. New York does not have such a law and the ideas involved are practically never mentioned in official circles, there, or anywhere else in the country.

Pennsylvania does have a law, and Erie is the one town that is best equipped to deal with this problem. More people in Erie know about land value taxation than in any other town in Pennsylvania. We know only too well that the idea is being looked upon with misgivings in many high circles. We know that there are strong under currents of opposition inspired mostly by a natural reluctance to institute a basic change in our local tax policy. But we also know that this idea is too good to pass up, and that as more and more people come to understand how it works, there will be increasing numbers who will favor it.

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How can it serve the purpose of the CAC in dealing with the downtown problems? There are two ways of looking at this. One is the long steady pull toward renewal of buildings which would automatically follow the adoption of land value taxation. Lower land prices and decreased taxes on buildings would bring about the results needed in due time.

However, we know that the CAC is thinking in terms made popular by the current business and governmental philosophy which sees nothing wrong in the idea of using federal funds to fight urban obsolescence. We see plenty in this philosophy which is fundamentally wrong, but we see no sense at this juncture in "fighting city hall." This is how the city fathers of towns all over the country are going to deal with this issue, and we know Erie is planning to be in there with its share of requests. We are also familiar with the basic plan now under advisement.

What can land value taxation do for Erie if the authorities decide to go for a downtown urban renewal project involving State Street from Sixth to Fourteenth?

First, of course, landholders must be satisfied. This is now a part of the plan. It is too late to expect land value taxation to reduce the price of land on State Street in time for it to be a consideration. But, the federal funds take care of this aspect anyway, and owners of prime land can get out unscathed. They should be very happy, for under the present circumstances, many of their land sites are falling rapidly in value. They will continue to fall until a major operation arrests the trend.

Second, a shift of the tax burden from buildings to land value will set the stage for some real building plans. True, taxes will be changed only on City taxes, but this will represent approximately 37% of the total tax burden. In Erie, the City Tax represents a substantial part of the tax on real estate. When you forgive that much of the tax on buildings, you are really cutting into the tax bite.

This will mean that planners can put some wonderful buildings on their drawing boards. The results could make Erie the show case for the nation. With such a prospect, a planning commission can do a marvelous job. There will be many details with which we, the writers of this letter, have no desire to become involved. We know that whoever does have this responsibility will find their work a real delight. The downtown section of Erie can become a subject for articles in national magazines, and it could set the trend for the future in the U.S.A.

One closing thought. Without using land value taxation, the builders of new buildings in the downtown section will be frightfully handicapped. But what is worse, if we go ahead and

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spend all this federal money and do nothing to correct the condition that caused the trouble in the first place, we only set the stage for future obsolescence and decay. In fifty years we will have to do it all over again. The present system of taxing buildings is the father of urban obsolescence. We must get this fact nailed down so that it is a part of what we "know" to be true. If we do use federal funds on the assumption that one hundred years of taxing buildings has brought our city to a state of near ruin, let us change the course of history, and demand an intelligent approach to the tax problem. It is only too clear that the present tax policy has not worked for the renewal of our city. Let us not continue the policy into the future when we have an opportunity to shift the tax from buildings to land value.

If the Rotival firm had been appraised of the potential of land value taxation, and if this had been included in the original plans, you can be sure of one thing. The buildings proposed would have been even more pretentious than they are. What is even more important, the plans projected would be within the reach of the economy of Erie.

You who have responsibility for overseeing this redevelopment, can have a "ball" as you plan for the future, armed with a law which takes city taxes off buildings, and places them on land value instead. When Erie sees what this kind of a policy can do for its builders, it can set about pressuring the State Legislature to have the same idea applied to School and County taxes. Indeed, those who build anew might well be promised that the taxes on their buildings will be light in the hope that within a few years, all taxes can be removed from buildings. If any city really wants it, the legislature will be willing to grant the privilege.

If you need some briefing on this idea, we enclose one of our recent bulletins which we call "The Key"

Cordially and respectfully yours,

Charles A. Hall, President  
Erie Land Tax Association



William E. Walker, Secretary  
Erie Land Tax Association

