THE PITTSBURGH GRADED TAX PLAN

Its History and Experience

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New York

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Pittsburgh's Pioneering in Scientific Taxation

Preface

PITTSBURGH'S UNIQUE EXPERIMENT with the special taxation of land values has attracted a great deal of attention, especially on the part of students of economics and taxation. Ever since the "graded tax" law was enacted in 1913 there has been much discussion of this subject. Legislation (either enacted or proposed) to extend the principle to other cities and states has served to stimulate inquiry about it.

Until now no one has undertaken to write the whole story of this interesting movement which brought about significant tax reforms in one of America's great industrial cities. The writer of this study has had the opportunity over a long period, both as a citizen and as a tax official of the City of Pittsburgh, to observe closely the operation of the Pittsburgh tax plan and has from time to time written and spoken on this subject. Now in response to a demand for a comprehensive report, rather extensive research has been undertaken to discover the pertinent facts. An historical sketch is included so that the reader may have full knowledge of the economic and political background and of the social conditions and problems that led to this reform.

Because the taxation of land values was first proposed as a means to land reform, special attention has been given to the early land history of Pittsburgh from the days of William Penn. This shows how the great landed estates of this district originated. It also takes note of the tremendous increase in the value of land during the period when Pittsburgh was experiencing its most rapid growth and was becoming a great industrial and commercial center.

Since Pittsburgh succeeded in achieving and retaining a significant step while similar efforts in other American cities and states were unsuccessful, an effort has been made to discover some of the reasons contributing to this success in the early days of the twentieth century. And as legislation was required in each of the steps taken, it was deemed worth while to present a picture of the political conditions and events that produced an atmosphere favorable to such a reform.

While the graded tax law of 1913 stands out as most significant, our examination of the whole situation brings out the fact that there were

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actually four separate acts of the State Legislature that combined to effect a much greater change in the local tax system than the graded tax law alone could have produced. Thus it was necessary to deal with three separate acts of the 1911 Legislature: (1) abolishing the classification system for determining the assessed valuation of real estate; (2) substituting a city-wide real estate tax rate for school purposes in place of the separate ward rates; (3) completely exempting from taxation machinery attached to real estate. These are features that ordinarily have been neglected in the discussion of the Pittsburgh tax plan.

The writer has sought to present the more pertinent facts and figures bearing on this subject, and also the opinions expressed by city officials, editors and civic leaders, leaving to the reader to judge the importance of Pittsburgh's efforts to pioneer in the development of a more scientific municipal tax system.

Despite some exaggerated notions held by both friends and foes, what was undertaken in Pittsburgh was only a moderate tax reform. It involves no very radical change from prevailing practices in municipal government in the United States, since there is now a substantial tax on land (as part of the real estate tax) in most American cities and towns. Nonetheless a great American city has adopted a new principle as the basis of its real estate tax and, in doing so, has pointed the way to those who would go much farther with this principle.

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Pittsburgh Confronts Its Land Problem

"PITTSBURGH HAS SET THE PACE for all America in her tax system—reducing taxes on improvements and increasing taxes on land values—the greatest single step any American city has taken in city building."

This was the comment in 1916 of Frederic C. Howe, noted author and public official, and a life-long student of municipal problems.[1]

This quotation also indicates the nature of the Pittsburgh experiment

[1] As United States Commissioner of Immigration in a speech before the Pittsburgh Commercial Club on March 15, 1916. Howe was the author of *The Modern City and Its Problems; Privilege and Democracy; Why War?; European Cities at Work; The City, the Hope of Democracy; Confessions of a Reformer.*

in municipal taxation. The step referred to was not a revolutionary one. But it has attracted the attention of many students of taxation and of economics because it represented a distinct departure from the time-honored practice of imposing either a general property tax or a tax on real estate. Pittsburgh became, as a result of this step, the pioneer city in the United States to adopt a new scientific principle in the formulation of its municipal tax system.

The "graded tax"[2] law, as it was called, inaugurated the special taxation of land values in a great American city as a deliberate public policy, designed not merely to raise needed public revenue, but to achieve certain economic benefits for the community. It is true, in a real sense, that the land tax was nothing new in the United States, for land had been taxed everywhere by local governments. But the taxes so commonly imposed were not levied on land as such; they were actually imposed on real estate (which includes both land and buildings), or in cases where the personal property tax had not been abandoned, as a part of the general property tax (which included both real and personal property). Under the conventional tax system widely followed by local governments, the taxation of land values, though representing a substantial proportion of the total tax, was only incidental. The general theory was that all property should be taxed alike without distinction or classification.

About fifty years ago Pittsburghers became land conscious as well as tax conscious. They had seen a phenomenal increase in land values. Vast fortunes were being built up through speculation in land. Great landed estates were conspicuous examples of land monopoly. The natural development of large urban areas had been greatly hindered by monopolists and speculators.

Civic reformers, social workers and other public-spirited citizens were impressed with the need for action. Surveys conducted by experts strongly indicated that the local tax system had a fundamental relationship to some of the pressing social and economic problems facing the community.[3]

These problems were not peculiar to Pittsburgh, though perhaps some

[2] The name *Graded Tax* conveys the idea of a differential tax rate on the two classifications of real estate, land and buildings (with higher tax rates stipulated for land and lower rates for buildings). It perhaps was also intended to indicate the gradual approach by ten per cent steps by which under the law the contemplated shift from buildings to land was achieved.

The term *Graded Tax* did not appear in the public press in 1913 or prior thereto, but in 1915, when repeal became an issue, all newspaper reports and comments made reference to this term. Available records do not show who invented the term or was the first to use it.

[3] Russell Sage Foundation, *Pittsburgh Survey*, New York, Charities Publishing Committee, 1910, also J. T. Holdsworth, *Report of the Economic Survey of Pittsburgh*, Pittsburgh, 1912.

phases of the situation were more obvious here than elsewhere.[4] Many cities had similar problems. And new problems continue to arise. Though the grave national and international crises of recent years tend to overshadow local issues that were formerly very prominent in the public eye, there is nonetheless a growing realization that our American cities face problems as serious as any they have ever confronted. Not only are the demands for public revenue much greater than ever before. Many of our cities are growing old and are battling against such enemies as slums, blighted business sections and traffic congestion. Decentralization is causing radical changes in the urban picture. Suburban communities are drawing the major share of the increase in population and trade. It appears that our cities must be largely rebuilt if they are to survive and maintain their position.[5] Pittsburgh's experience may suggest that scientific taxation can be very helpful in meeting issues of this nature.

The Pittsburgh plan is designed on very simple principles. A lower tax on buildings tends to encourage builders and thus to expand production. A higher tax on land discourages the holding of valuable land out of use, by making land speculation relatively unprofitable; hence it also serves to stimulate its development. Because the value of land is created by the activities and by the presence of the community, it is held to be fair and just that the greater share of public revenue be derived from this source.

The growth of any community may be said to be primarily a matter of the development of real estate. Cities are built upon land and as land is improved, our cities grow; hence the importance of offering an incentive for the highest and best use of all valuable land. The Pittsburgh plan is in accord with the declaration of Theodore Roosevelt that "the burden of municipal taxation should be so shifted as to put the weight of taxation upon the unearned rise in the value of the land itself, rather than upon the improvements."[6]

Though this quotation from a distinguished American statesman precisely fits the tax pattern followed by Pittsburgh, the idea, of course, did not originate with Theodore Roosevelt. He merely gave his sanction and the prestige of his exalted position as a former President of the United States. It was, indeed, Henry George, an illustrious son of Pennsylvania, who had inspired the movement for the taxation of land values.[7] And as a candidate for Mayor of New York in 1886, George, though failing of

[4] Lincoln Steffens, *The Shame of the Cities*, New York, McClure, Phillips, 1904.

[5] Hal Burton, *The City Fights Back*, New York, Urban Land Institute, 1954, pp. 41, 185.

[6] "The Progressive Party," *Century*, October, 1913. This pronouncement was made within a few months after the enactment of the Pittsburgh graded tax law.

[7] "The tax upon the value of land is the best tax that can be imposed." Henry George, *Progress and Poverty*, New York, Robert Schalkenbach Foundation, 1942, p. 414.

election by a fairly close vote, had the distinction of beating young Roosevelt, the dynamic Republican nominee, at the polls, though both went down to defeat at the hands of the powerful Tammany organization, whose candidate, Abram S. Hewitt, won the office.[8]

But long before *Progress and Poverty* was written by Henry George, the idea of the special taxation of land values had received the endorsement of such famous economists as Adam Smith,[9] John Stuart Mill,[10] and the French Physiocrats.[11] And David Ricardo[12] had proclaimed his "law of rent," which had served to emphasize and dramatize the fundamental nature of the land question and thus, in large measure, to justify the land tax.

The Early Settlers and the Great Landed Estates

PITTSBURGH RECENTLY MARKED its bicentennial of the founding of Fort Pitt, which occurred in 1758 with the defeat of the French forces by the victorious British.

George Washington probably was the first white person to see Pittsburgh's possibilities. Passing through in 1753, he noted in his journal that the land at the Point where the Allegheny and Monongahela rivers meet to form the Ohio was "extremely well situated for a fort" and that back of it lay "a considerable bottom of flat, well-timbered land, very convenient for building."

Pennsylvania had been given to William Penn, solely and as an individual, by Charles II, King of England, in payment of a debt of about 16,000 pounds owed Penn's father.

[8] The vote for Mayor of New York in 1886 was as follows: Hewitt, 90,552; George, 68,110; Roosevelt, 60,435.

[9] Adam Smith, *Wealth of Nations*, McCulloch edition, 1850, Book 1, ch. 11, p. 115: "Ground rents and the ordinary rent of land are, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them. Ground rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign. Nothing can be more reasonable than that a fund which owes its existence to the good government of the state should be taxed peculiarly, or should contribute something more than the greater part of other funds toward the support of that government."

[10] John Stuart Mill, *Political Economy*, 1848, Book 5, ch. 2, sec. 5; also Mill, *Dissertations and Discussions*, Vol. 5, pp. 225–6. Mill urged that "the future increment of rent should be liable to special taxation." Mill was largely instrumental in founding the "Land Tenure Reform Association" which, in 1870, commenced a definite program of propaganda for "the interception by taxation of the future unearned increase of the rent of land."

[11] Higgs, *The Physiocrats*, London, 1897. Also for accounts of the Physiocrats and their doctrine, see Gide and Rist, *Histoire des Doctrines Economiques*, Paris, 1913, Book 1, ch. 1. A cardinal doctrine of the Physiocrats was that of the "impot unique," a single tax upon land, which was proposed to supplant the complex and burdensome taxes of the "ancien regime."

[12] Ricardo's Works, McCulloch ed., 1871, pp. 375, 378: "In a progressive country," argued Ricardo, . . . "the landlord not only obtains a greater produce, but a larger share." Hence, "the interest of the landlord is always opposed to the interest of every other class in the community."

Though a few hardy pioneers built their cabins almost immediately after the expulsion of the French in 1758, no white man could legally own land in Pittsburgh because it belonged to the Indians. A clear title was not available to any piece of land in Pennsylvania until the Indians had ceded their rights to it in formal treaties. It was not until November 5, 1768, that the Indians sold their lands in the older part of Pittsburgh, and not until January 21, 1785, that they finally relinquished their right to the land on the North Side.

William Penn had died in 1718. His heirs owned and sold Pennsylvania lands in two capacities—as "proprietors" and as private individuals. They usually reserved one acre for every ten acres sold.

A few years after the outbreak of the Revolutionary War, on November 24, 1779, the Legislature passed a "divesting act" by the terms of which the proprietary or public lands of the Penns were taken from them and the title conveyed to the state. They were paid 130,000 pounds for these lands, however, and left in possession of the manors.

The older part of Pittsburgh—the Golden Triangle—was a manor, and the Penns proceeded to have it surveyed, laid out in lots 50×240 feet, and sold within a few years after the conclusion of the Revolutionary War.

The land on the North Side was acquired by the state through the divesting act and sold in town lots after a survey made in 1787.

Great fortunes in land had their origin in purchases by several fortunate individuals from the Penn heirs for merely nominal considerations. Several notable Revolutionary War officers, acquired large areas, including some very strategic locations, and in the course of a short time realized a tremendous unearned increment.[13]

The story of General James O'Hara, Pittsburgh's first great real estate operator, is an illustration of the fortunes that may be made through "judicious investment" in land. By acquiring Pittsburgh land, even when it involved some pinching to raise the funds, General O'Hara made millionaires of some of his descendants and enriched many of them down to the present day.

O'Hara acquired several of the most desirable cornerlots in the downtown district, including the future sites of the great Kaufmann department store, and the Frank & Seder store (both at Fifth Avenue and Smithfield Street) and of the Union Trust Building at the corner of Fifth Avenue and Grant Street.

In addition to much downtown property, he purchased from the Penns a large tract extending from the Two Mile Run on the Allegheny River to

[13] *Magical Growth of Pittsburgh Real Estate, 1770 to 1937*, published by the Pittsburgh Real Estate Board, 1937.

the Monongahela River. He bought lots on the North Side and the South Side and in the Allegheny Valley near the present borough of Aspinwall. At the time General O'Hara acquired these lands they were for the most part unproductive and considered of little value. But he had faith in the future of Pittsburgh and his judgment has been amply vindicated.

General O'Hara died and his holdings were divided equally among his three children, James, Mary and Elizabeth. Elizabeth married Harmar Denny, son of Ebeneezer Denny, Pittsburgh's first Mayor.

Mary O'Hara married William Croghan, Jr., and became the mother of Mary E. Croghan, whose elopement at the age of 16 from a fashionable New York boarding school with Captain Edward H. Schenley of the British Army, who was 45 years old and had already been married twice, created a sensation. Mrs. Schenley inherited a large part of the O'Hara holdings.

The Denny estate and the Schenley estate are very familiar names to Pittsburgh. Their holdings bore witness to the prudence shown by General O'Hara when he invested heavily in Pittsburgh land.

Other American Army officers of the Revolutionary War period also were among the big landlords of the early days. The Park Building site, also at the corner of Fifth Avenue and Smithfield Street, a highly desirable location, was sold by the Penn heirs to Major Isaac Craig in 1788 for the sum of 10 pounds, or about $50. Major Craig was for many years a prominent figure in Pittsburgh and for a while acting commandant at Fort Pitt. He and Stephen Bayard bought from the Penns in 1784 the property between Fort Pitt and the Allegheny River (now in the new Gateway Center redevelopment area).

The present site of the Rosenbaum department store at Sixth Street and Liberty Avenue was sold by the Penn heirs to Captain Nathaniel Irish, another Revolutionary War officer, for 12 pounds, 10 shillings, or about $62.50. This property has remained in the ownership of Captain Irish's heirs down to this day.

The Oliver Building, at Smithfield Street and Sixth Avenue, stands on part of two lots purchased by Oliver Ormsby on March 7, 1800, for $170. Ormsby was the son of John Ormsby, who came to Pittsburgh with General Forbes in 1758 and before the Revolutionary War owned most of the land on the South Side between the Smithfield Street bridge and Beck's Run. The adjacent borough of Mount Oliver is named for Oliver Ormsby. Ormsby made a magnificent profit on the Smithfield Street land within a comparatively few years.

Land is the foundation on which most of Pittsburgh's private fortunes were built. With the opening of major lines of transportation and the development of a great manufacturing center, the value of the early land holdings grew very rapidly.

The beginning of the nineteenth century found Pittsburgh with a permanent population of over a thousand and a large floating population, as the western tide of migration was on its way and Pittsburgh became known as the "Gateway to the West."

Stagecoach lines ran between Philadelphia and Pittsburgh carrying mail and passengers, and a record run was made in four days. The canal system soon replaced the stagecoach and by 1830, Canal Basin, near the present Pennsylvania Railroad station, was a busy center of trade and travel.

In 1859 the first oil well was drilled in western Pennsylvania and the first railroad line put in operation, creating a new industry and great wealth for Pittsburgh. The Pennsylvania Railroad completed its line from Philadelphia to Pittsburgh in 1852 and in 1871 the Baltimore & Ohio Railroad had brought its line through from Baltimore.

At first Pittsburgh's great industry was not steel or iron but glass. General O'Hara had begun making glass in 1795.

Jones, Lauth & Company, predecessor of the great Jones & Laughlin Steel Corporation, was founded in 1862 with B. F. Jones as head of the firm.

After 1860 the well established industries were greatly enlarged and many new enterprises started. Among the great captains of industry were Andrew Carnegie, Henry C. Frick, Henry J. Heinz and George Westinghouse. Andrew Carnegie, as a boy of 13, came to Pittsburgh from Scotland in 1848, and made his home just across the river in old Allegheny City. In 1889 the Carnegie Steel concern was formed, with Henry C. Frick as Carnegie's operating manager.

Pittsburgh became known the world over as a great steel center. The city grew in population and annexations greatly increased its boundaries.

Pittsburgh was incorporated as a borough in 1794. It became a city in 1816. In 1874 the Pennsylvania Legislature passed the Wallace Act, dividing cities into three classes, and Pittsburgh was at that time the only city of the second class.

Revolt Against the Political Machine

THE ACHIEVEMENT of the graded tax is not directly related to any political revolution nor to any particular municipal campaign. But it was a manifestation of political action. It was facilitated by a civic awakening and by the growth of popular interest in social and economic problems. Civic and social reform were in the atmosphere of Pittsburgh in the years immediately preceding the adoption of tax reform.

Ever since the Civil War, Pennsylvania had been a Republican stronghold. United States Senator Matthew Stanley Quay had ruled the state with a rod of iron for a long period. At his death in 1904, Boise Penrose, of Philadelphia, succeeded to his seat in the Senate and to his power as state G.O.P. boss.

Pittsburgh had for many years been dominated by a Republican machine operated by Christopher Lyman Magee and William Flinn. For more than two full generations, almost without a break, the city had been in the grip of what has been described by the author of Pittsburgh's bicentennial history[14] as "the most cold-blooded and vicious political ring that ever ruled an American city."

Lincoln Steffens, who surveyed Pittsburgh in 1903, painted a vivid picture of the Magee-Flinn political machine and its alliance with the big private monopolies and privileged interests of those days.[15] Frederic C. Howe, who was a native of Western Pennsylvania, also was highly critical of the state organization.[16]

Christopher Lyman Magee was a popular politician, beloved, gracious, handsome and by many revered almost as a saint, even by some who criticized his machine. Perhaps it was his magnetic personality that completely lulled asleep those who should have been quickest to recognize his methods.

C. L. Magee was elected to city council in 1864 and to the office of city treasurer in 1871. He then retired from public office and drew up an ambitious plan which involved control of the politics of Pittsburgh and Allegheny County and devoted himself to its realization. An advantageous political alliance in 1879 with William Flinn, a public contractor, materially added to his power, which was further increased when in 1882 Flinn became chairman of the city Republican executive committee, a position which he held continuously for twenty years.

Magee next proceeded to safeguard the permanence of his position by firmly entrenching himself with the Pittsburgh business interests, banks and public utilities, constantly making friends and supporters in return for deposits of public funds, franchises and other favors. Magee became the political agent of the Pennsylvania Railroad, which at that time exerted a powerful influence in state politics and legislation. He was twice elected to the State Senate.

[14] George Swetnam, *Bicentennial History of Pittsburgh and Allegheny County*, Historical Record Association, Pittsburgh, Pa., 1956, Vol. I.

[15] Lincoln Steffens, "Pittsburgh: A City Ashamed," *The Shame of the Cities*, New York, McClure, Phillips, 1904, pp. 147–89.

[16] Frederic C. Howe, *Confessions of a Reformer*, New York, Charles Scribner's Sons, 1925, pp. 70–3.

Senator Magee owned considerable real estate, a daily newspaper, the *Pittsburgh Times,* and stock in more than fifty enterprises. He served as director of fifteen banks, insurance companies and traction lines, and as president of the thirty-million-dollar Consolidated Traction Company. He left an estate appraised at more than four million dollars.

In spite of some friction with Matthew Stanley Quay, then boss of the state, Magee and Flinn controlled the politics of Pittsburgh and Allegheny County with scarcely a break from 1882 to 1899. In the latter year Magee's health began seriously to fail and a bitter fight with Quay developed over the award of public contracts. In 1903, two years after Magee's death, the Magee-Flinn machine began to disintegrate.

As early as 1895 independent citizens had organized to combat the machine through court action and by the nomination of independent candidates for office. These efforts at times attracted strong popular support. The Municipal League, led by Oliver McClintock, a prominent merchant, began a fight for civic reform. This uprising culminated in 1906 in the election as Mayor of George W. Guthrie, a prominent Democrat with strong independent support. Guthrie had long been active in the fight for better government and had come extremely close to being elected to the same office in 1896 as the nominee of the Municipal League.

The political overturn, however, did not bring into city councils an independent majority which was needed to support fully the administration's policies. The need for further reform in government soon became evident. Serious graft scandals in the city councils in connection with public franchises and contracts were uncovered before Mayor Guthrie retired.[17] This soon led to a popular demand for a more modern and efficient type of legislative body for the city and eventually the entire councilmanic bodies as then existed were "ripped" out of office by the Legislature.

Guthrie was the first Mayor of "Greater Pittsburgh," being in office at the time of the consolidation of the two cities, Pittsburgh and Allegheny,[18] which were contiguous except that the Allegheny River ran between them. Later he served by appointment of President Woodrow Wilson as Ambassador to Japan. During the Guthrie administration the tax reform movement actually got under way, though all of the legislative acts directly related to it were obtained during the term of his successor.

[17] The Voters' Civic League, headed by A. Leo Weil, a prominent attorney, hired detectives who, after months of quiet investigation, had accumulated a mass of evidence for the grand jury. No less than sixty of the persons named in the seventy-nine indictments pleaded *nolo contendere.* More than twenty served terms in the county jail or penitentiary.

[18] The people of the two cities voted on annexation June 12, 1906. On June 16, 1906, the court declared Pittsburgh and Allegheny to be legally consolidated as "The City of Pittsburgh." The city councils were consolidated and the Mayor of Allegheny became deputy mayor of the greater city until the expiration of his term.

At that time the Mayor was elected only for three years and the chief executive was not legally eligible to succeed himself. Mayor Guthrie joined with the civic reformers in launching the Civic Party for the campaign of 1909 in support of William H. Stevenson, then an independent Republican member of Council. But the regular Democratic organization did not join in this movement. The campaign for Stevenson was not successful. Before he retired from office, however, Mayor Guthrie created the Pittsburgh Civic Commission as a semi-official body and appointed its original members. This group was to play a very important part in the civic life of the community in the years immediately ahead.

The year 1909 also brought William A. Magee, an able young lawyer, to the forefront. As the regular Republican nominee, he was elected Mayor and he continued to be very prominent and influential in the life of the community until his death in 1938. He was to serve two full terms of four years as Mayor and later a term as a member of City Council. William A. Magee was a nephew of Christopher Lyman Magee and succeeded him as State Senator but did not inherit either his fortune or his political organization; the remnants of his machine had been rooted out by Mayor Guthrie and the independents. But the younger Magee had already been recognized as a skillful politician and had assumed a prominent place in the local Republican party. He had been an unsuccessful candidate for the Republican mayoralty nomination in 1906 but had made a rather brilliant canvass. The Republican nominee who had won over Magee, however, had gone down to defeat by Guthrie. Then in the fall of 1906, Magee had been elected unanimously to be chairman of the Republican County Committee. Interested in politics even before he cast his first vote, he very early won election to the City Council and had served a short while. It soon became evident that he was not only well versed in politics but was also a keen student of municipal problems.

A Practical Politician Embraces Civic Reform

THE CIVIC REFORMERS generally were at that time very critical of Magee. They had opposed his election largely because of his political associations. During the first year of his administration, they were very skeptical as to the prospects for civic betterment. But the citizens were very alert in those days. Civic reforms of various types were vigorously promoted by various nonpartisan civic bodies who sought to bring good influences to bear both in the city government and at Harrisburg, where the laws of the state were written, there being no municipal home rule yet.

Almost at once a popular campaign was launched in support of an improved form of city government. It received much publicity and considerable editorial support from the daily press, though opinions differed somewhat as to the detailed provisions of a model charter. The commission form of government was being adopted in a number of cities throughout the country and the city manager idea was being introduced in some cities. The municipal experts in Pittsburgh preferred to retain the Mayor and council form but with certain important changes from the old system. The chief feature was the proposed election at large of a small council of nine members. This would replace the old select and common councils which were made up of citizens serving without compensation and elected to represent the various wards of the city; as there were 45 wards, the membership of the two bodies was well over 100.

Other proposed features were a non-partisan ballot, with an elimination primary preceding the general election, the initiative, referendum and recall. Such reforms were quite popular at that time, particularly with progressive elements in all of the political parties. But they had not been adopted by the state legislature.

The public was thoroughly aroused as to the need for some change in local government. The movement was well organized and directed to obtain a maximum of cooperation by the various groups. It was strongly supported by the Civic Commission, the Chamber of Commerce and the Allied Boards of Trade. The chairman of the new charter committee was Thomas J. Keenan, a former newspaper publisher and a man well qualified to lead such a campaign, both in Pittsburgh and at Harrisburg.

After considerable agitation, discussion and various counter proposals, the 1911 legislature arrived at a compromise and enacted a new charter for Pittsburgh.[19] It provided for a new council of nine members who were to receive substantial salaries so as to attract men of ability. But the act, as amended, authorized Governor John K. Tener to appoint the original members, who would take office immediately to replace the old bicameral body, but stand for nomination and election in the fall primaries and general election, the prevailing party ballot system to be continued. The new council was organized with the acclaim of the public and consisted of John M. Goehring (President), E. V. Babcock, David P. Black, A. J. Kelly, William H. Hoeveler, Dr. James P. Kerr, Enoch Rauh, William G. Wilkins, and Dr. Samuel S. Woodborn, none of whom had previously been identified with organized politics. Two of the new councilmen, Black and Kelly, both prominent real estate men, resigned within a few weeks for personal reasons and Robert Garland and Peter J. McArdle were elected by council to replace them.

[19] *Pennsylvania Laws, 1911*, pp. 461–7, approved by Governor John K. Tener, May 31, 1911.

The nine Councilmen then submitted their candidacies to the people. They decided to enter the primaries of all three of the local political parties and thus appeal for nonpartisan or multi-party support. They easily won the nomination of the Republican, Democratic and Keystone parties, the latter an independent third party which for a time had a strong following. So the new council was elected for a regular term of office with only negligible opposition, a unique happening in the political life of Pittsburgh. The civic reformers had won a significant battle, though it was not regarded as a complete victory and the charter committee declared its intention to seek further legislation.

Meanwhile Mayor Magee, who took no part in the charter campaign, was busy promoting some ideas of his own for the improvement of the municipal government, among other things obtaining legislative approval for a new Department of City Planning. Magee indicated an early interest in tax reform and was very receptive to proposals then being advanced, particularly for legislation intended to make possible the equalization of real estate assessments.

Influential voices had been raised for tax reform, with special emphasis upon the taxation of land values. The issue of discrimination in favor of the owners of valuable land in fixing assessed valuations had been raised as early as 1872, when Henry W. Oliver, then President of common council, referred very pointedly in a public speech to "the great landholders and speculators, and the great estates which have been like a nightmare on the progress of the city for the last thirty years."[20]

The issue of assessment reform finally crystallized when the Russell Sage Foundation made its famous *Pittsburgh Survey,* which had been begun in the closing days of the Guthrie administration but was finally completed and published in 1910. In a detailed report written by Shelby M. Harrison, Director of Surveys,[21] it was pointed out that the old classification system in vogue in Pittsburgh since 1876 (and even earlier in a slightly different form) had "enabled big real estate holdings to get out from under the full share of their local responsibilities."

Pittsburgh had indeed employed a most peculiar method of taxing real estate. Real estate within the city had been classified as "urban," "rural" and "agricultural," assessed respectively at full rate, two-thirds rate, and half rate in fixing the assessed valuation for tax purposes. This unjust system placed a premium upon the speculative holding of under-improved or vacant land, conveniently classified as "rural" or "agricultural."

[20] Henry Oliver Evans, *Iron Pioneer, Henry W. Oliver,* New York, Dutton, 1942, pp. 65–6.

[21] *Civic Frontage: The Pittsburgh Survey,* "The Disproportion of Taxation in Pittsburgh," pp. 156–213; 455–68.

Harrison's report pointed out that "for a generation Pittsburgh had been entangled with a taxation scheme which, because of discriminations, made it easy for individuals and estates to hold great areas of underimproved land, but which, on the other hand, went gunning for the man who bought and improved a small tract, and leveled at him what was in effect a double tax rate. The first was rewarded for doing nothing further than holding the land while the community grew and made it valuable, but the second was penalized for doing something which directly increased not only his own but all land values."

In 1910 real estate to the value of $212,900,000, or 28 per cent of the total, was classed in the rural and agricultural groups and paid only two-thirds or less of the current rate of the wards where located. The land classified as agricultural was in reality held by wealthy individuals or estates for the rise in values, and this was the class of real estate which paid only one-half of the tax rate. Its owners were "such persons as were particularly able to pay taxes in the support of government."

The Progressive Laws of 1911

A BILL WAS DRAFTED to abolish the classification system which had been originally created by an act of the legislature. This measure received hearty support from the Civic Commission, the Chamber of Commerce, the Pittsburgh Board of Trade and other civic bodies. The City Board of Assessors had cooperated in the survey of assessments. Mayor Magee gave the bill strong support. It was enacted into law[22] without much of a battle at Harrisburg in view of the evidence of favorable public sentiment. This significant step was of greater importance than is generally realized for it gave great impetus to the tax reform movement.

But this was not the only important step taken at the 1911 legislative session. Mayor Magee sponsored a bill to abolish city taxes on machinery attached to real estate, which tended to concentrate more taxation upon land values. This measure, of course, was favored by Pittsburgh industries, both large and small. It became a law without serious opposition.[23]

At the same time great interest had developed in the idea of bringing about a more efficient administration of the public school system. In line with the reform in city government, it was decided to propose abolishing the various local school boards which had been elected by wards. They would be replaced by a Board of Public Education having jurisdiction over

[22] *Pennsylvania Laws, 1911*, p. 273, approved by Governor John K. Tener, May 11, 1911.

[23] *Pennsylvania Laws, 1911*, pp. 287–88, approved by Governor John K. Tener, May 12, 1911.

the area of the entire city. And with a view to a non-political administration of the schools, the members of the board, who would serve without compensation, were to be elected by the Board of Judges of the Court of Common Pleas. This measure also met with a friendly reception at Harrisburg and the bill was enacted into law[24] with no important amendments. While the new school code, as it was called, was not advanced as a tax reform measure, it also had an important effect on the local tax situation because taxes would now be levied on a uniform basis throughout the city (instead of each ward having its own individual school tax rate). This meant that the more valuable real estate, wherever located, would contribute a larger share to the total cost of operating the schools of the entire city. This phase of the tax situation had not been overlooked in the tax study made by the specialists who conducted the Russell Sage Foundation survey. The tendency would be for the owners of the most valuable land to contribute a larger share than heretofore.

The legislation thus obtained by Pittsburghers at the 1911 session had represented a great step forward. The "progressive movement" was strong in those days and was evidently having its effect on the lawmakers regardless of political affiliation. The way was paved for the launching of the graded tax movement.

Just how the name "graded tax" first came into use is not entirely clear. It was not used when the plan was first advanced but appears to have been adopted as an appropriate designation within a few years thereafter.

The honor of being the first organization publicly to sponsor the graded tax plan must go to the Keystone Party of Allegheny County. This "third party" had been organized in 1910 in a political emergency, when independent and progressive citizens throughout the state were aroused to action. An outstanding figure was William H. Berry (a single taxer) who had been elected State Treasurer by the Democrats in 1905 and had exposed very extensive graft in connection with the erection about that time of the new state capitol building at Harrisburg. He was being strongly urged as the logical Democratic nominee to oppose the nominee of the Penrose Republican machine, John K. Tener.

But the Democratic state convention had also been boss-controlled and was suspected of being under Penrose influence. Berry failed to receive the nomination of his party. As a storm of protest arose, the Keystone Party was organized by independent Democrats and Republicans. The new party, with the handicap of divided opposition to the Tener candidacy, was unable

[24] *Pennsylvania Laws, 1911*, pp. 309–461, approved by Governor John K. Tener, May 18, 1911.

to overthrow the state machine.[25] But it aroused great enthusiasm and came very close to sweeping the state. Encouraged by this measure of success, it was decided to continue the independent party for the local election of 1911.

In Pittsburgh and Allegheny County the new party attracted the support of a number of strong independent leaders, many of whom later held important public offices, though the party was not sufficiently strong to elect its local ticket in 1911. Nonetheless it had made a good fight and developed new political leadership for future civic battles. The county chairman at that time was J. Garfield Houston, a young lawyer who some years later served as President of the Board of Public Education. Others prominent in the leadership were William N. McNair, Cornelius D. Scully and John S. Herron (each of whom later served as Mayor of Pittsburgh after becoming prominent in the affairs of their respective major parties), Ward Bonsall, William D. George, John M. Henry, Jonathan W. Freeman, Bernard B. McGinnis, Wayne Paulin, George J. Shaffer, Carl D. Smith and Harry H. Willock. Most of these young leaders were active single taxers. This was the cause from which they derived their chief inspiration and to them, politics was a means to an end, rather than an end in itself.

The Keystone Party platform of 1911 put the party on record in favor of a new idea in municipal taxation. According to the *Pittsburgh Leader* (a former daily newspaper) of July 22, 1911, William E. Schoyer was chairman of the platform committee and Ralph E. Smith drafted the section dealing with municipal taxation. This was by no means the only plank or even the major plank in its platform, but it has an historic significance:

"We believe that the unduly high price of land in this county, causing high rents for both factory and home, is the greatest obstacle in the development of diversified industries in this district. These high prices are due largely to the speculation in land by which a few individuals appropriate to themselves the values resulting solely from the growth of the community.

"In order to remedy this, we would greatly relieve the improvements on land from taxation, and to this end, we favor the reduction of assessments on such improvements at the rate of ten per cent a year for a period of five years, thereby reducing taxes on all improved real estate and somewhat increasing them on land held out of use. Such a policy would tend to reduce rents and to cause the improving of unused land to the great benefit of all the people."[26]

[25] Popular vote for Governor of Pennsylvania, 1910: John K. Tener, Republican, 415,614; William H. Berry, Keystone, 382,127; Webster Grim, Democratic, 129,395. Tener had a plurality but not a majority.

[26] Adopted July 22, 1911, as reported in *The Saturday Critic*, July 1911.

But the graded tax plan was chiefly promoted by non-partisan civic organizations. It was, in fact, never made a prominent partisan political issue. That it had been first endorsed by the Keystone Party was not long remembered. The new party vanished from the scene within a few months after the city and county campaign of 1911, having succeeded only in electing one of its judicial candidates. When in 1912 the followers of Woodrow Wilson won in the Democratic primaries in Pennsylvania, and the followers of Theodore Roosevelt won in the Republican primaries, the demand for a third progressive party ceased to exist, and the individual "Keystoners" returned to their former party allegiances or made new affiliations according to their preferences. (Though William Howard Taft, running for re-election, won the Republican nomination for President in 1912, he lost to Roosevelt in Pennsylvania.)

Thus the position of the progressives in both major parties was considerably strengthened, and even the more conservative public officials who might be classified as regular Taft Republicans (such as Governor Tener and Mayor Magee) felt the influence of the progressive trend of the times.

The Keystone Party had brought together for effective team work a remarkable group of young, aggressive leaders and workers. Many of them were ardent advocates of the taxation of land values, though there was also much interest in other comparatively new ideas such as the more direct rule of the people through the initiative, referendum and recall.

Civic Commission Proposes Graded Tax Law

HOWEVER, IT WAS the Pittsburgh Civic Commission that brought the graded tax plan directly before the city officials and the general public as a specific project in its program of civic betterment. The commission was an unusual type of civic organization. While it had an official origin (its members originally were appointed by Mayor George W. Guthrie), it was supported entirely by contributions of private citizens and sought to enlist the interest and support of all public-spirited citizens in behalf of a broad program including such projects as city charter reform to modify the form of municipal government, city planning for major public improvements, and municipal tax reform. It was, of course, an independent group not associated with any political party. The members of the commission served without compensation but employed assistants to plan and conduct activities. It consisted of H. D. W. English, president; H. J. Heinz, John W. Beatty, T. E. Billquist, Charles F. Chubb, William L. Jones, James W. Kinnear, Morris Knowles, H. L. Kreusler, Joseph W. Marsh, Marcus Rauh, George R. Wallace and Charles F. Weller. Allen T. Burns was its able and aggressive secretary.

In January 1912, the Civic Commission, after a careful study of the municipal tax system with special relation to the housing problem, adopted and published a report prepared by its housing committee, proposing specific legislation under the title *Tax Revision to Promote Pittsburgh's Progress*."[27]

It recommended that the tax rate on all buildings should be fixed at only 50 per cent of the rate on land. It suggested that "in order to allow adjustment of investments and prevent hardships," this change should be spread over five years, beginning with a 10 per cent reduction in the building rate the first year, and with further 10 per cent steps each succeeding year until the 50 per cent ratio would be reached. Actually the law as passed was more gradual in its application, providing for reductions of 10 per cent every third year, corresponding with the triennial assessment years, so that twelve years was required to bring about the full change.

In its report the Commission stressed the results of a survey which showed that land prices were extraordinarily high in Pittsburgh at that time and were, in fact, second only to those found in New York. "Industries will be slow to locate in Pittsburgh if rents or prices of land are higher than in other cities," the report stated.

It also pointed out that a few individuals and families had owned large tracts and that some owners, by making ground leases or by improving to a very small extent, had received sufficient income to enable them to hold their land for increases in value due to the city's rapid growth.

For several generations two families had owned land the assessed valuation of which then amounted to 2.6 per cent of the entire assessed valuation of the land in the city. Five families possessed land assessed for 7.4 per cent of all the assessed land values in the city, but their assessed building values were only 36 per cent of their land values.

Continuing, the report said: "A few individuals have been enabled by circumstances to place and hold land prices at a figure which prevents the profitable use of the land by others. Can this paralyzing grip on Pittsburgh's growth be broken? We recommend twice as heavy a tax on land values as on building values as the remedy. This means to place a penalty on holding vacant or inadequately improved land and to offer special inducements and premiums for improving land."

The legislature was to assemble again in January, 1913, following the

[27] Pittsburgh Civic Commission, *Civic Bulletin*, January, 1912; also *An Act to Promote Pittsburgh's Progress*, published by Pittsburgh Civic Commission in 1913.

state and national elections in November, 1912, and no time was lost in seeking the support necessary to obtain the desired legislation.

Single taxers had initiated several years before a movement for the taxation of land values through a rather intensive effort. Pittsburgh had quite a substantial group who, in the earlier days, had been members of the Single Tax Club and later were affiliated with the Henry George Club or with the Henry George Foundation of America, chartered in 1926, with its headquarters in Pittsburgh.

Many of them were politically-minded and eager to see some steps taken toward practical application of "Georgist" principles. Being active in civic and political affairs and enthusiastic for social reform, they were inclined to seize every opportunity to advance their ideas. Most of them affiliated with the Democratic party, then very decidedly the minority, where they gained quick recognition. Their leaders were frequently nominated for important political offices and sometimes elected or appointed to such offices.

Among those most prominent in the political field were McNair and Scully, George E. Evans and Walter R. Demmler (who later served as City Councilmen) and Bernard B. McGinnis (later State Senator and Democratic County Chairman).

The single taxers were a minority group (and a rather small minority). Hence they could not hope to win without making allies. They conceived the idea of inducing the Boards of Trade, Chamber of Commerce, the Hungry Club, and other civic organizations to listen to single tax lecturers, such as John Z. White, Herbert S. Bigelow, Henry George, Jr., Frederic C. Howe, Louis F. Post, Joseph Fels and Peter Witt.

Lawson Purdy, then President of the New York City Tax Department, was also among the speakers who came to Pittsburgh about that time. *The Survey*, of July 5, 1913, states that it was Benjamin C. Marsh, secretary of the New York Congestion Committee, who first placed before the Pittsburgh people the possibility of a specific rate-change in the real estate tax. He did so at the civic exhibit held at the Carnegie Institute in the fall of 1908.

Harry H. Willock, an industrialist, and William D. George, a real estate man, were probably the most influential as members of the Pittsburgh Civic Commissions Committee on Housing and signers of the original report advocating the new tax plan. Both had frequent contacts with Mayor Magee before and during the legislative session. It was George who, with the assistance of Attorney Marcus W. Acheson, drafted the original graded tax bill and obtained the Mayor's approval.

Mayor Magee had not previously been identified in any way with the land tax movement[28] though, as mentioned, he had actively sponsored the act to equalize the assessed valuations of real estate and also the act to exempt machinery from taxation, both adopted in 1911. Magee was then in a receptive mood for further tax reform. But before finally committing himself to the plan, he sent a special investigator, Thomas C. McMahon, a member of the board of assessors, to visit municipalities in western Canada where similar tax systems had been in operation and were attracting favorable attention.[29] The City of Vancouver had entirely exempted buildings from taxation by gradual steps over a period of fifteen years. That community was enjoying a remarkable building boom, conditions were very prosperous, and the city was receiving ample revenue under its new tax plan.

Mayor L. D. Taylor of Vancouver came to Pittsburgh about this time to address the Oakland Board of Trade and gave a first-hand report which was decidedly in favor of shifting the tax burden from improvements to land values. Mayor Magee then gave his endorsement to the proposed law and ever thereafter was a consistent supporter of the graded tax plan, bringing to its support many of those who were closely associated with him in political life.

The graded tax bill was introduced in the legislature on February 26, 1913, by Representative Abram C. Stein, Republican, of Pittsburgh, and promptly referred to the Judiciary General Committee for consideration. The committee made a favorable report. Meanwhile the bill was approved by a caucus of the Allegheny County delegation. It received strong support from the members of both political parties. The Republican Party was at the time in full control of both houses of the legislature. The bill was passed in the House[30] on April 9, 1913, by a vote of 113 to 5. It passed in the State Senate[31] on April 30, 1913, by a vote of 40 to 0.

[28] In an address on September 26, 1924, before the Henry George Club of Pittsburgh on the "Progress of Tax Reform in Pittsburgh," Mayor Magee said: "I am principally interested in two things regarding taxation: the progress of the graded tax law and the problem of assessments for public works. Both concern the unearned increment, the profit of land owner who becomes rich through growth of the community without effort on his own part. I am frankly opposed to him. I can say that without becoming a single taxer. We owe Henry George a great debt for having exposed him for what he is, a parasite upon the body politic."

[29] Robert M. Haig, *The Exemption of Improvements from Taxation in Canada and the United States*, 1915, pp. 170–1 (a report prepared for the Committee on Taxation of the City of New York).

[30] *Pennsylvania Legislative Journal, 1913*, Vol. 2, pp. 1635–36.

[31] *Pennsylvania Legislative Journal, 1913*, Vol. 2, p. 2453.

Victory Acclaimed by Single Tax Leaders

NO FORMIDABLE OPPOSITION had manifested itself. Even the Pittsburgh Real Estate Board had joined with the Single Tax Club of Pittsburgh, the Civic Commission, the Pittsburgh Board of Trade, the Civic Club of Allegheny County and other organizations in support of the bill. In the case of the Real Estate Board, the influence of William D. George, a member of its Board of Governors, was doubtless a factor of importance. A significant news item appeared in the *Pittsburgh Dispatch* of May 6, 1913, headed "Real Estate Board Committee Goes to Confer with Governor":

> The sub-committee of the legislative committee of the Pittsburgh Real Estate Board, appointed several weeks ago to go to Harrisburg to urge the passage of the act reducing taxation on buildings, will leave tonight to confer with Governor Tener regarding the measure. It is now before the Governor for signature, having passed both houses of the Legislature. The sub-committee is composed of Samuel W. Black, Charles F. Chubb and John E. Kane, and W. D. George, who helped to frame the bill, will also be one of the party. The realty board endorsed the act and recommended its passage and is *anxious* to have the Governor approve it. It provides for the scaling down of taxes on all buildings in second-class cities, the reduction in the building tax to be shifted to the land [italics supplied].

What pressure, if any, was brought to bear on Governor John K. Tener to veto the bill is not known.[32] But the bill was signed by the Governor on May 13, 1913, to become effective with the fiscal year of 1914.[33] It applied to both of the second-class cities, Pittsburgh and Scranton. The measure was evidently acceptable to Scranton, as no objection was raised from that city. But neither the citizens nor officials of Scranton took any active part in promoting this legislation. It was distinctly a Pittsburgh project.

There was rejoicing in the ranks of the Pittsburgh single taxers. Writing to *The Public*, a weekly journal of opinion, May 13, 1913, Bernard B. McGinnis, a very active Democrat and single taxer commented as follows:

> Pennsylvania may boast of being the first state in the Union to adopt the single tax principle and write it into law. This is an unusual distinction for our city and to single taxers throughout the country such prog-

[32] So far as the public press was concerned, there was very little publicity about the enactment of the graded tax law. In the midst of many bills under discussion before the legislature, it apparently attracted little attention and was accepted at Harrisburg as a Pittsburgh city administration measure against which no substantial protest had been made. Thus it is unlikely that Governor Tener was under any pressure to veto the bill.

[33] *Pennsylvania Laws, 1913*, No. 147, p. 209.

ress in this boss-ridden machine-controlled commonwealth will, no doubt, be welcome news.

Those who worked for the bill during its passage did not, of course, label it as a single tax measure but appealed to the common sense of the members of the Legislature. Mayor William A. Magee, although regarded by many as a reactionary Republican, is a Mayor who does things, and it did not take him long to discover what benefits the single tax principle of taxation would bring to Pittsburgh. He thereupon asked William D. George to draft a bill. George was glad to respond and followed the bill every step through the Legislature in the most diplomatic fashion. He met every argument advanced by opposing legislators in such a convincing manner that they were forced to admit the logic of the bill. The Civic Commission was very active in supplying literature to the legislators, explaining the advantages of the bill.

All this happened in the East, in Pennsylvania, in Pittsburgh. It is certainly a triumph for the loyal little band of single taxers who have been fighting for their cause for the past twenty years in this garden city of millionaires and slums.[34]

In another news letter from Pittsburgh to the *Single Tax Review,* McGinnis had reported that

much is being done by a band of young workers who never fail to expound the single tax on the slightest provocation. Sometimes it is in the men's clubs, in YMCA meetings, in the Bible classes; at other times on the street corner or the political platform. These young men believe in the single tax as they do in a great religion. There are about forty of them and their number is growing. Some day, not far off, if not already, they will exert a potent influence in the economic affairs of the city. They never fail to impress their ideas on the city officials and men of influence whenever the opportunity permits.[35]

New Tax Plan Under Attack

BUT THOUGH A CLEAR VICTORY had been won, the advocates of the graded tax plan were soon to face a battle for its retention. The law was in effect in Pittsburgh and also in Scranton, separate assessments of land and buildings had been made, and the city councils had in 1914 reduced the building-tax rate and increased the land-tax rate, having taken the first modest step prescribed by the new tax law. The State Legislature, of course, had the power to alter or repeal the law at any time. It soon be-

[34] *The Public,* May 23, 1913, p. 489.
[35] *The Single Tax Review,* May–June, 1912, pp. 44–46.

came known that the issue would have to be faced again at the next biennial session of that body.

The reason for reopening the issue was chiefly political. Had Mayor Magee continued in office, this crisis would probably not have arisen. But Magee could not legally succeed himself under the then existing state law. An effort by his friends in the Legislature to remove this prohibition had, indeed, been passed by both houses but had been vetoed by Governor Tener. The Mayor then had joined with the civic reform element in support of the mayoralty candidacy of Congressman Stephen G. Porter. It was Pittsburgh's first "nonpartisan" city election, the Legislature having acceded in 1913 to the demand for a nonpartisan municipal ballot. Under this plan the Democrats did not nominate a city ticket. As a minority party in Pittsburgh, they were not in a strong position. The Republicans tended to divide into two factional groups contending for control. Many of the progressive Democrats supported Porter. Porter led in the vote in the elimination primary but was defeated in the election by Joseph G. Armstrong, former Coroner and Director of Public Works.

The graded tax had not been advanced as a direct issue in the campaign, but its opponents tended to support the Armstrong candidacy. His victory at the polls encouraged them to attempt to overthrow the graded tax before it became a permanent fixture. Some of the big landowners were already beginning to feel the effect of the higher land tax. The outstanding representatives of these interests were Frank F. Nicola, president of the Schenley Farms Real Estate Company, and Edward F. Daume[36] of the Commonwealth Real Estate Company, agent for the Schenley Estate. They fought the tax plan in speeches and literature.

Mayor Armstrong had severed his former ties with Magee when the latter declined to support his candidacy. Under the circumstances, the graded tax opponents had no difficulty in obtaining Armstrong's support for the proposed repealer. The City Council at the time was divided in its attitude, but the Mayor induced his supporters in that body to join the repeal move. Among them was Councilman Robert Garland, at one time president of the Chamber of Commerce, though in later years Garland became a strong supporter of the graded tax and frequently wrote and spoke in its favor.

The repeal was urged on the ground that the measure was a discrimination against owners of land and "a decided step toward the single tax

[36] Edward F. Daume, "A Critical Analysis of the Operation of the Pittsburgh Graded Tax Law," *The Annals of the American Academy of Political and Social Science* (1930), p. 145.

theory of Henry George."[37] The graded tax was attacked by some as chiefly benefiting "the money-powerful skyscraper barons." Mayor Armstrong led the fight and, as the official head of a great city, was able to exert considerable influence and political power upon the legislators at Harrisburg. The Pittsburgh Chamber of Commerce joined the repeal movement. But the repeal was opposed by other organizations, including the Pittsburgh Real Estate Board, Pittsburgh Civic Commission, Pittsburgh Board of Trade, Housing Conference, and Civic Club of Allegheny County, by some of the principal newspapers, and by the single taxers.

The repeal bill was introduced in the House of Representatives by W. Mitchell Hamilton of Allegheny County on February 9, 1915, and referred to the committee on municipal corporations. It provided that "all real estate shall be assessed and taxed for all purposes of taxation at a uniform rate without discrimination or distinction of any kind between land and the buildings thereon, and no classification of real estate for purposes of taxation shall hereafter be made."

This repeal measure passed the House[38] without debate on March 25, 1915, by a vote of 108 to 24. Then the real battle began in the State Senate. A public hearing was demanded and took place before the committee on municipal affairs on April 27. The repeal was advocated by delegations representing the Chamber of Commerce, some large banks and trust companies and landed interests.

Mayor Armstrong was not present but sent a letter favoring the repeal. He also sent as his spokesman City Solicitor Charles K. Robinson. Six of the nine Councilmen had lined up with the Mayor and delegated Robert Garland and Dr. G. A. Dillinger as their spokesmen. Garland also spoke for the Chamber of Commerce, in which he was prominent. Among others favoring the repeal were C. Edward Keck of the Freehold Real Estate Company and Edward F. Daume of the Commonwealth Trust Company, though the Pittsburgh Real Estate Board had officially maintained its position in favor of the graded tax.

A letter from the Chamber of Commerce was read endorsing the repealer, also one from David P. Black, realtor and former Councilman. Some opponents of the graded tax said that "unimproved landowners are the poorest of property owners" and therefore should not be asked to pay higher taxes. Another attack concluded with the flat assertion that the graded tax "is unlawful, unjust, unfair and un-American."[39]

[37] *The Public*, April 30, 1915, p. 427.
[38] *Pennsylvania Legislative Journal, 1915*, Vol. 1, p. 937.
[39] *Pittsburgh Post*, April 28, 1915.

Solicitor Robinson said that neither side had any basis from which to argue for or against the bill, as it was only an experiment. But he declared that the graded tax was disturbing to the economic and financial situation in Pittsburgh and that it would bring depression and hard times. "We are asked," he said, "to take a heresy rejected by all mankind." He characterized the law as "single tax," a theory which, he asserted, had not been tried by any city in the country.

The defense of the graded tax was ably led by former Mayor Magee in person, assisted by William D. George. Magee expressed sympathy for the "men who come here on a question about which they know so little." He said the opposing delegation from Pittsburgh did not represent the small property owner but the large interests of the city. "They come here weeping and wailing," said Magee, "and you would think the small property owner would be wiped out of existence. They tell you it is a terrible experiment."

George denied that the graded tax was at all equivalent to the single tax or that its supporters were committed to any revolutionary proposal. He said it was endorsed by the Allied Boards of Trade, the Real Estate Board and other civic and commercial organizations of high standing in the community. George read telegrams from Thomas J. Keenan, Julian Kennedy and Samuel W. Black to show that the original act had the support of many influential citizens.

"They must be single taxers," remarked Councilman Garland. "Now, Mr. Chairman," said George, "that is an appeal to prejudice. They are trying to frighten you away from the actual question involved."

The committee went into executive session after the hearing. Twelve of the sixteen members were present and they divided six to six, thus keeping the bill from being reported. With the legislative session close to its end, it appeared that the repeal bill would likely die in committee.[40]

Newspaper Editors Come to the Defense

THE *Pittsburgh Press* was jubilant and on May 18, 1915, in an editorial headed "Graded Tax Repealer Jolted," said:

> With the adjournment of the Legislature only two days distant, there appears to be an excellent chance to defeat the graded tax repealer applying to Pittsburgh. . . . The law is working to the complete satisfaction of everybody except a few real estate speculators who hope to hold idle land until its value is greatly increased by improvements erected on surrounding territory. Everybody endeavoring to gain a big profit in this parasitical manner is naturally opposed to the law and to the principle which it

[40] *Pennsylvania Legislative Journal, 1915*, Vol. 3, pp. 4031–3.

represents; it is nevertheless endorsed by and is clearly in the interest of the vast majority of the public. . . .

To free the city government to some extent from the embarrassment of its own blunders, the Legislature is asked to strike down one of the most progressive and entirely commendable statutes enacted for a generation—a measure whose public benefits are so calculable that the legislative session has developed an overwhelming public sentiment in favor of extending it to apply to third-class cities.

It is probably because the legislative leaders know perfectly well that the public strongly favors the law that the Senate yesterday sent the repealer back to committee. . . . The indications are that the committee will be its burial place, and if so, it is not amiss to remark that as far as everybody except the land speculators and budget bunglers is concerned, it will die unwept, unhonored and unsung.

But the repealer was reported out of committee under political pressure on the closing day of the legislative session and came before the Senate on the question of final passage. Then ensued a lively debate between Senator Charles H. Kline, then serving as President *pro tem* of the Senate (later to be twice elected Mayor of Pittsburgh), and Senator Charles J. Magee, a younger brother of William A. Magee.

One of the major arguments advanced for the repeal in this debate was that the City of Pittsburgh was losing and would continue to lose much potential revenue through the lower tax rate on buildings, though, as a matter of fact, there had been no loss of revenue; it was merely a matter of shifting some of the burden from one source to another, there being no tax rate limitation to hinder this process. Though Senator Kline had voted for the graded tax in 1913 at the instance of Mayor Magee, with the change of administration in Pittsburgh he was now the chief spokesman for the forces of Mayor Armstrong and led the attack in strongly critical terms. Senator Magee made a spirited defense and cited many advantages of the new tax plan. But the debate was chiefly for the record, and perhaps for its possible influence on the Governor. Probably few votes were changed by it. The bill passed the Senate on May 20, 1915, by a vote of 33 to 12. Of the six Senators from Allegheny County, three voted for and three against, an even division, indicating that the graded tax was not without strong local support in the Senate. Those against the repealer were Senators Magee, Moore and McKee, and those voting for were Senators Kline, Burke and Semmens.[41]

The following morning, the *Pittsburgh Post* published a strong editorial entitled "Not a Square Deal," protesting the action of the Legislature.[42]

[41] *Ibid.*, p. 4034.
[42] *Pittsburgh Post*, May 21, 1915.

Ralph E. Smith, prominent single tax Democrat (later to be Postmaster of Pittsburgh), wrote a news dispatch for *The Public*, May 28, 1915, under the headline "Bad Work of a Gang-Controlled Legislature." He said that

> Senator Magee made a strenuous fight and would have been successful had not the state organization demanded the passage of the bill as a proper recognition of Mayor Armstrong as the party leader in Pittsburgh. But we are not defeated. Governor Brumbaugh is intelligent, fearless and honest. We expect him to veto the repealer.[43]

The repeal could not become effective without the Governor's signature. In this instance it was not forthcoming. The friends of the graded tax took their case to the Governor. Much credit is due Governor Brumbaugh, for without his aid in this crisis the Pittsburgh graded tax might have had a very short history. In his veto message the Governor said:

> This repealer is opposed by the largest group of protestants that have been heard on any bill. It is advocated by those in charge of the fiscal policy of one of the two cities concerned.
>
> Inasmuch as there is such a conflict of opinion, and inasmuch as the law has scarcely yet been tried, it is well to allow it to operate until a commanding judgment decrees its fate. To disturb it now, when a preponderance of opinion favors it, is unwise.[44]

Strongly endorsing Governor Brumbaugh's action, on June 11, 1915, the *Pittsburgh Post* said:

> Governor Brumbaugh's veto of the bill repealing the graded tax for second-class cities represents an important victory for the people. . . . The enactment of the repealer was one of the most brazen acts of defiance of the popular will that has been recorded in years. . . .
>
> The Governor says that the repealer was opposed by the largest group of protestants heard on any bill. Yet this sentiment was almost completely ignored by the Legislature, one of the leaders shamelessly admitting that he was controlled in his vote by "my boss."[45] Governor Brumbaugh may be assured that he has made no mistake in interpreting the will of the citizens of Pittsburgh and their gratitude goes out to him accordingly.
>
> The present law is desired by the people to discourage the unjust holding of idle land to profit by the improvement of adjoining property. It encourages the builder. It encourages those who add to the wealth of the city instead of those who would hold their land only to profit by the toil and enterprise of others.

[43] *The Public*, May 28, 1915.

[44] *Pittsburgh Press*, June 10, 1915, p. 1.

[45] In the legislative debate Senator Kline made reference to "my boss," indicating that his action in urging repeal was due to the attitude taken by Mayor Armstrong. In 1913, when Mayor Magee was in office and was actively promoting the graded tax law, Kline had supported it but was now reversing his position.

On the same day, the *Pittsburgh Dispatch* also published an editorial headed "No Graded Tax Repeal," in which it said:

Despite the desperate efforts of the city administration to secure the repeal of the graded tax law, as part of its hunt for additional revenue to make up the deficit caused by official extravagance and blundering, the law will stand, thanks to the Governor's veto of yesterday. . . . The law was passed in 1913 with practical unanimity, and it was only after the Pittsburgh administration had got itself into a hole that an organized campaign for its repeal was begun. . . .

Happily the Governor was not to be deceived. . . . As he says, now that the experiment has been made, it should be continued until it is proved. To repeal the graded tax at this time would settle nothing. It would be almost certain to be revived. If, on the contrary, it is retained until it is thoroughly tested, there will be sound reason for keeping it or rejecting it.

The *Pittsburgh Press* also joined in the chorus of congratulations that day and, in an editorial under the heading "Graded Tax Repealer Killed," said:

Pittsburgh is to be congratulated upon the failure of the plot to deprive it of its progressive graded building tax law. . . . The announcement from Governor Brumbaugh that he has vetoed the repealer preserves for at least another two-year period a statute so pre-eminently fair and so thoroughly in accord with enlightened modern ideas of taxation that it has been favorably commented upon from one end of the United States to the other.

The principle upon which the new tax system is based—that unimproved land, being held out of use, should pay a higher tax than land upon which buildings have been erected—is a principle which can operate only to the benefit of the community. For its inevitable effect is to encourage building improvements by relatively decreasing the landowner's taxes the moment he puts up a building. The former plan of putting as heavy a tax on buildings as on unimproved land has been aptly described as "fining a man for committing public improvements." Governor Brumbaugh's decision to prevent the City of Pittsburgh from reverting to the senseless and very properly discarded old system will be chronicled by all friends of progress with genuine pleasure.

Defeat had turned into victory. The fight for tax reform in Pittsburgh had reached its climax. The major credit for providing the necessary political support must go to Mayor Magee and Governor Brumbaugh, both of whom were Republicans. But the civic organizations and the loyal and effective band of single taxers working with and through them had supplied the motive power and would continue to support and defend the cause if necessary.

No one claimed that Pittsburgh had solved all of its problems, or even that it had achieved a perfect tax system. But by a series of steps a great improvement in the local situation had been brought about. And what had been accomplished was not to be undone. The effort to repeal the graded tax was not entirely abandoned. Spokesmen for some of the real estate interests continued to offer criticisms from time to time.[46] But the act of 1913 was never again seriously threatened. The general public was inclined to accept it as the final step in a process that had brought about a distinct improvement over the old system. From time to time the editorial comment of the newspapers was generally favorable.[47]

Twenty years later prominent members of this single tax group, who had continued their active interest in politics, were destined as victorious Democrats to take over the reigns of the city government[48] and to play their part in the actual administration of the graded tax system. And these men, as strong advocates of land-value taxation, were looking ahead to further possible steps. But they had perhaps already made their major contribution as citizens, propagandists and lobbyists during the earlier days when the Republican party had been in full power in Pittsburgh and at Harrisburg. For the graded tax had not been a partisan political issue. It had really been achieved through the persistent efforts of the local "pressure groups." And perhaps the effort had succeeded because the time was ripe and the political and economic atmosphere was favorable.

[46] *Pittsburgh Post-Gazette*, series of articles on the graded tax law, by J. Roland Brady, Feb. 7, 1933, editorial page; by James W. Bamford, Feb. 9, 1933, editorial page.

[47] See editorials of Pittsburgh daily newspapers with favorable comments: *Press*, Sept. 10, 1915, "Land Monopoly in American Cities"; Oct. 19, 1915, "New York Wants Pittsburgh Law"; Oct. 26, 1915, "Absurd Tax System Doomed"; *Post*, May 23, 1919, "Let the Graded Tax Law Stand"; *Sun*, Dec. 16, 1925, "An Appraisal of the Graded Tax"; *Press*, Jan. 2, 1926, "Pittsburgh's Graded Tax Law"; *Post*, Jan. 4, 1927, "Purchase of Henry George's Birthplace"; *Press*, Feb. 10, 1927, "Fear Over City's Tax System"; *Post-Gazette*, Nov. 30, 1927, "Growth of Building Values"; *Press*, Feb. 20, 1929, "Extending Graded Tax"; *Post-Gazette*, Jan. 12, 1933, "The Graded Tax Law"; Feb. 17, 1933, "A Notable Tax Discussion."

[48] William N. McNair, a lawyer and an ardent single taxer, who was always active in politics, was elected Mayor in November, 1933. He had previously been honored many times by the Democratic party with nominations for such offices as District Attorney, Mayor (in 1921), Secretary of Internal Affairs and United States Senator. As a constant campaigner and frequently a candidate, he had attracted strong support though never won an election until 1933. The minority party had afforded him a platform for the discussion of his cherished ideas for social reform. He first held public office when elected Mayor in 1933 in the New Deal political revolution after having run with the support of the Democratic organization.

He was succeeded in the office of Mayor by Cornelius D. Scully, also a lawyer. An ardent single taxer, Scully had been one of the founders of the Henry George Foundation. Scully had participated in independent political activities at times and had been chairman of the McNair primary campaign committee. In the new administration he served for a short while as City Solicitor. In the early days of the McNair regime, such prominent single taxers as Bernard B. McGinnis and Ralph E. Smith served in appointive positions. As frequent changes occurred, a number of active single taxers were brought to city hall to fill responsible positions in the Department of Assessors and in other branches of the city government.

The issue having been fought out in the Legislature, the future of the graded tax was left in the hands of the city officials. In 1915 the graded tax had just begun to function; only the first step had been taken, that of reducing the tax on improvements by 10 per cent, and of increasing the tax on land value by an equal percentage. But the act of 1913 was not optional; it was mandatory. The process of gradually shifting the weight of taxation from buildings to land, therefore, was automatic. Neither the Mayor nor the Council had any alternative but to follow the terms of the law.

In reviewing the situation toward the end of his service as Mayor, William A. Magee said:

> In 1913 the proposed graded tax law appealed to me because of conditions in Pittsburgh. We had large tracts of vacant land in the residential areas and many dilapidated, old and small buildings in the business districts. A bonus to the owners [who improved their property] in the form of a relatively lower rate of taxes was deemed worthy of experiment.
>
> After years of experience, we are justified in claiming success. Many new buildings have been erected in the business district and the residential area has been practically built up. Five square miles have been annexed to the city by vote of the people of the adjoining territory. The principal argument for annexation was the lower taxes inside the city.[49]

Mayors Magee and Armstrong had been the chief actors in the municipal tax drama as leaders of the opposing forces. Armstrong ended his term of office in 1917 but later served several years as County Commissioner. Magee remained active in city and state politics until 1937, twenty years later. He lost a battle for the mayoralty in 1917 in the second nonpartisan city election but won the office of Mayor again in 1921 as the regular Republican nominee that year,[50] and as late as 1933 was elected to Council on both party tickets. In the interval between these elections, he had served as a member of the Pennsylvania Public Service Commission.

Edward V. Babcock, winning over Magee in the 1917 election, succeeded Armstrong as Mayor in 1918. Magee returned to the office in 1922. Thereafter Charles H. Kline, former State Senator and Judge, was twice elected Mayor, in 1925 and in 1929. Nothing of special significance to the history of the graded tax occurred during this period.

Councilman John S. Herron succeeded to the office of Mayor for a short time in 1933 when Mayor Kline resigned under pressure. But a political revolution was then in the making, owing to a combination of circum-

[49] Statement of Dec. 14, 1925, *A Practical Program for Reducing Taxes on Improved Real Estate*, published by Graded Tax League of Pennsylvania.

[50] His opponent in that election was William N. McNair.

stances threatening the party in power, and Herron, as the Republican nominee, went down to defeat in the Democratic landslide of 1933.

Democratic Mayors, all elected under the party ballot system, have been directing the city government without interruption ever since the turn of the political tide. The first of these, William N. McNair, served during the years 1934 to 1936;[51] Cornelius D. Scully from 1937 to 1945;[52] David L. Lawrence from 1946 to 1958 (when he resigned to assume the office of Governor of Pennsylvania); Thomas J. Gallagher, 1959 (President of Council succeeding to office of Mayor for an unexpired term); and Joseph M. Barr (former State Senator), the present incumbent, who assumed the office in December, 1959, after winning a special election.

All have been staunch friends of the graded tax plan. Each of them, in his own way, has played a significant part in maintaining and defending it, and thus helped to assure its permanence. In this manner the nonpartisan or bipartisan nature of the tax system has also been recognized.

The Opposition Collapses

THE CITY COUNCIL also, as the tax-levying body, has played an important part. Except for a short period during the Armstrong administration, a majority of the members of Council, both under Republican and Democratic rule, have been firm friends of the graded tax plan. Dr. James P. Kerr, William Y. English, John S. Herron, Peter J. McArdle and Robert Garland were among the most conspicuous supporters during the Republican era. Though, as has been related, Garland was at first strongly

[51] Franklin Roosevelt had carried Allegheny County in the presidential election of 1932 (though losing the state) and had swept three Democratic Congressmen into office with him, and some members of the State Legislature. But the county and city had long been Republican strongholds. Despite the handicap of a small Democratic voter registration in 1933, William N. McNair, running only on the Democratic party ballot, supported by the regular party organization but aided by a large independent vote, won election by a majority of over 30,000 votes. The entire Democratic city ticket and two candidates on their judicial ticket were elected at the same time. Many independent voters had left the Republican party.

McNair, with the firm support of the Democratic organization, including leaders of organized labor, had won in the primaries, contending for this honor with another lawyer and ardent single taxer and Democrat, John M. Henry. This incident further serves to show the strong position a small group of active single taxers had attained in the minority party of those days. The Democratic primary voter could only choose between two single taxers then leading organization and independent groups.

[52] Mayor McNair resigned his office on October 6, 1936, and Cornelius D. Scully, then President of City Council, was elected Mayor by the Council for the unexpired term. Scully was elected by popular vote in November, 1937, for the regular term of four years, and again in 1941 for a second full term of four years. When he retired from office, Scully had served longer than any previous Mayor. But that record has since been exceeded by David L. Lawrence (the only Mayor ever to have served three full four-year terms. And Lawrence was elected for a fourth term in 1957; he served one year of that term before resigning to become Governor.)

critical, he later became convinced that the graded tax was a good thing for Pittsburgh and was not at all reluctant to say so. He then wrote and spoke in favor of it (as Chairman of Council's Finance Committee)[53] and even became quite friendly and cooperative with the "single taxers" whom he had attacked at Harrisburg when the repeal issue was pending.

Dr. James P. Kerr, when serving as President of Council (he was later to be elected City Controller), had given strong testimony for the graded tax:[54]

> During my four years in Council radical changes were made in the system of levying taxes, and these changes were a distinct step forward. First, the classification of property was abolished and then the graded tax law was enacted. Land speculation had been made less profitable and a building stimulus has resulted.
>
> I believe in this principle and propose to do everything in my power to keep these laws upon the statute books. I have no sympathy whatever with those who would cause their repeal. We should protect the small house owner and encourage the erection of mills, factories, stores and homes. We should not permit people to hold unimproved land to gain an unearned increment at the expense of the other taxpayers, and to interfere with the growth and development of Pittsburgh.

When the Democratic revolution occurred in 1933, two prominent single taxers were elected to the Council and continued to be re-elected and to serve until their death: George E. Evans, then President of the Henry George Foundation of America,[55] and Walter R. Demmler, who had long been active in the local Single Tax Club. And all of their Democratic colleagues recognized the essential value and also the political popularity of the graded tax plan.

This was clearly indicated when in 1945 some of the real estate interests began again to talk about the possibility of repealing the law or placing a legal limitation on the tax rate to handicap its operation. At this time the City Council unanimously adopted a resolution endorsing and supporting the graded tax plan. After stressing its effect in producing sub-

[53] Robert Garland, *Pittsburgh under the Graded Tax Law*, 1929. Also an article in *Post-Gazette*, Feb. 11, 1933, editorial page.

[54] In a public speech reported in the *Pittsburgh Dispatch*, Oct. 27, 1915.

[55] Evans was nominated for Council in the Democratic primary (along with Walter R. Demmler, John J. Kane, Thomas J. Gallagher and John M. Huston, there being five members to be elected). Evans withdrew to permit placing William A. Magee (who had already won a Republican nomination for Council) on the Democratic ticket also. It was felt that Magee's reputation and following would strengthen the appeal to independent voters and thus aid in electing a Democratic Mayor and Council. When the first vacancy in Council occurred in 1933, through the death of Republican William J. Soost (a hold-over member), Evans was chosen for this place by vote of the members of that body, and was regularly elected by the voters at the end of the unexpired term.

stantial tax savings for the vast majority of the home owners, it was resolved that "this Council strenuously oppose any attempt to repeal this beneficial legislation."[56]

The City Board of Assessors, whose chairmen and members were direct appointees of the Mayor and subject to confirmation by Council, also played an important part. During the period from 1922 to 1942, the Department of Assessors was under the direction of men who had long been actively interested in the taxation of land values.

Under the later Republican Mayors (Magee and Kline), the city was fortunate in having as chairman of the board Thomas C. McMahon,[57] an able land appraiser who had developed improved appraisal techniques. When the Democrats took over in 1934, he was succeeded as chairman of the board by Percy R. Williams,[58] who had served as a minority member of the board under the second Magee administration. At the time of his appointment by Mayor McNair, he was Executive Secretary of the Henry George Foundation and in earlier days had served as Executive Secretary of the Pittsburgh Real Estate Board. He was reappointed by Mayor Scully and continued in that office until 1942, when the assessing functions of the city were by legislative act consolidated with those of the County of Allegheny.

McNair appointed several prominent single taxers as members of this board during his term—among them Robert C. Bowers, Hugo W. Noren, M. S. Robinson, William B. Foster, Charles L. Brinton and Harry H. Rankin.

Pittsburgh was one of the cities to introduce early the separate assessment and separate reporting of land and building valuations, though the practice has now become quite general among the larger cities and even many of the smaller ones. Special attention was given by the assessors to the development of a scientific method of land appraising. When land prices and ground rents were increasing sharply, assessed valuations were promptly revised upward. When, as in the depression years, market values greatly declined, downward revision had to be made to conform with the

[56] *Municipal Record, 1945*, pp. 78–9, 87–9, 322. Resolution No. 55, adopted March 12, 1945. Councilmen Evans, Demmler and Edward Leonard spoke in favor of the resolution and there was no dissenting voice. Leonard P. Kane, then president of the Real Estate Board, had publicly proposed repeal of the graded tax law. He received but little support, and the repeal bill, introduced at that time in the legislature, died in committee.

[57] Thomas C. McMahon, "The Operation of the Graded Tax Law in Pittsburgh," in *Annals of the American Academy of Political and Social Science* (1930), pp. 139, 142–3.

[58] Frank C. Harper, *Pittsburgh of Today, Its Resources and People* (New York: American Historical Society, Inc., 1931), Vol. 1, pp. 313–22, quotes in full a study by Percy R. Williams on "Pittsburgh's Graded Tax Law."

realities of the situation. But while most American cities were making drastic cuts[59] in their land valuations (as well as in building valuations) the high standard of land valuation was much better maintained in Pittsburgh in the decade between 1930 and 1940, when the downward trend was most pronounced throughout the country.

It was not the function or the purpose of the Board of Assessors to make tax policy, but rather to appraise all taxable property on a fair and equitable basis. The old classification system of assessing had been abolished by law. The power to fix differential rates given by the Legislature to City Council was clearly limited and defined. Of course, assessing officials do enjoy and in various communities frequently have exercised their own discretion. But the advocates of land-value taxation having won a legal victory at the hands of the state's lawmakers, there was no occasion or justification for resorting to extra-legal means. So while land values were never neglected, it was always the policy of the city assessors to appraise all real estate without discrimination in accord with both the letter and the spirit of existing laws.

A complete history of tax rates and assessed valuations from 1914 to 1957, as determined by City Council and by the Assessment Board, can be constructed by anyone interested in building such a table, from figures taken from the official records of the City of Pittsburgh.[60]

While separate totals are unfortunately not available prior to the year 1914, it is evident from the official records of earlier years that land values in Pittsburgh were growing very rapidly in the period between 1880 and 1910.

[59] In the ten-year period between 1930 and 1940, drastic reductions in the assessed valuation of land occurred, reflecting the effects of the nationwide depression, the proportionate reduction varying widely in different cities. These comparative figures, calculated from official assessment records of respective municipalities, show that Pittsburgh land valuations were better maintained during this decade than in other large American cities:

Land-Value Reduction 1930–1940

City	*Percentage*
Detroit	58.05
Los Angeles	50.01
Cleveland	46.24
Boston	27.71
New Orleans	26.63
Cincinnati	26.05
Milwaukee	25.42
New York	20.59
Washington	11.96
Pittsburgh	11.05

[60] See annual reports of the City Controller of Pittsburgh, also reports of the City Board of Assessors and of the County Board of Assessment, Appeals and Review.

In 1880 the total value of taxable real estate in the city was slightly less than $100,000,000, or, to be exact, $99,584,544. By 1900 these values had increased to $321,696,550; in other words, they had more than trebled in twenty years. By 1910 Pittsburgh real estate values had grown to $784,803,573, which total is more than double that of ten years previous. But it is important to note that the City of Allegheny (then containing over eight square miles) was annexed to the City of Pittsburgh during this decade. By 1920 the total real estate value had grown to $814,507,-550, and by 1930 the total had reached $1,164,663,760.

As we have seen, the graded tax plan was placed in operation gradually in five successive steps beginning with 1914 and ending with 1925. There is no provision in existing state legislation for any further steps, and no city official or councilman has any power to modify the present tax plan. Any further action must come from the State Legislature. There is, of course, nothing sacred about the present ratio of building to land tax rates, and probably many persons would be interested to see what effects would follow a greater shift of the tax burden from improvements to land. But the present essay deals only with actual history, and for the present we are not concerned with speculation as to future possibilities.

This historian therefore reports that as of the year 1960 the opposition that had crystallized so strongly in 1915 has collapsed. The present tax plan as applied to land and buildings appears to have become a permanent fixture in this municipality. While critics may still be found, they are no longer vocal. What was a new and untried idea in 1913 is now generally accepted and approved by civic leaders, citizens and taxpayers, and there are few, if any, who now question its success.

This concludes the historical sketch of the background, development and culmination of a significant tax reform in the City of Pittsburgh. Its relationship to the political events of the era and to the civic, social and economic conditions of the times has been set forth. The leading characters who played significant parts have been identified.

Pittsburgh is still making history as a great, progressive urban center. But for the present this review must be limited to telling the story of how the fight for the special taxation of land values was won and the victory consolidated. Now it is time to turn to an analysis and appraisal of the graded tax plan in actual operation since 1914 and in full effect since 1925. For this purpose an effort will be made to examine impartially all the pertinent facts and figures that are available up to and including the year 1960.

Pittsburgh's Experience with the Graded Tax Plan

Purposes and Limitations of the Graded Tax Law

HAVING RECORDED THE HISTORY of the graded tax movement in Pittsburgh, we now face the task of examining the plan as it is actually operating. An attempt will be made to discover just what economic and fiscal changes (if any), for better or worse, have been brought about by the enactment of the law.

What the sponsors of the plan hoped to accomplish by this legislation was made clear in the campaigning for it. Have these hopes been realized? Many public officials, civic leaders and newspaper editors, from time to time, have expressed their judgment of the graded tax and have borne eloquent and impressive testimony as to its virtues. But of course not all citizens or officials have concurred in this judgment; even some advocates of the basic principle of land-value taxation, in Pittsburgh and elsewhere, have expressed some doubts or dissatisfaction with regard to how the experiment is working.[1] The fact that the plan has been in uninterrupted operation for more than forty-five years and there is no apparent disposition to overthrow it may indicate that the graded tax plan does represent a sound forward step in economics and taxation—or that its opponents are paralyzed by inertia.

Because the plan is no longer new and many persons in Pittsburgh are probably unaware of the system prior to 1913, the ordinary citizen of the city, if questioned, is apt to reveal little, if any, knowledge of the subject. In view of these facts, it appears to be useful to investigate Pittsburgh's

[1] Walter W. Pollock and Karl W. H. Scholz, *The Science and Practice of Urban Land Valuation* (Philadelphia: Manufacturers Appraisal Company, 1926), pp. 247–52: "The verdict as to the effect of the Pittsburgh law must, at the present time, be one of uncertainty." J. P. Watson, *The City Real Estate Tax in Pittsburgh* (Bureau of Business Research, University of Pittsburgh, 1934), pp. 19–33: "The graded tax, really meant to be a classified property income tax, affects the valuation and, therefore, tends more or less to defeat itself." These critical studies of the Pittsburgh graded tax appeared, in the first case, when the graded tax had just come into full operation, and the other in the depression year of 1934. Both were interested in whether the graded tax, then comparatively new, was operating as intended. The analyses studied chiefly comparative assessed land and building valuations in this earlier period and the estimated cost of new buildings erected in that period. Mr. Pollock, a professional land appraiser, and Dr. Scholz, an economist, sought to show the importance of scientific appraisals of real estate values, whatever the tax system might be. They concluded that in Pittsburgh buildings were probably overassessed because insufficient depreciation was allowed on older buildings. Dr. Watson, on the other hand, apparently assumed that the assessments were fairly representative of true value for both land and buildings. He advanced the novel theory that the lower tax rate on buildings tended to increase the market value of buildings.

experience with the graded tax. I propose to contrast the old and the new tax systems, undertake to establish the situation existing prior to 1913 and to measure, as far as possible, any notable changes that may have since occurred. This will include an effort to indicate just how a portion of the real estate tax burden has been shifted from one source to another, what the general or individual tax levy would be under today's conditions if the old tax system had been retained as the basis of tax billing for the city, and what effects may be imputed to each system.

The graded tax plan may be described as an experiment with incentive taxation. Of course, the primary purpose of any tax imposed is to raise the necessary revenue with which to provide public services. But now it seems to be generally recognized that taxes also affect economic conditions.[2] Therefore specific taxation or exemption from taxation is often deliberately proposed or enacted to achieve an economic result beyond the raising of public revenue. The graded tax plan is a conspicuous example of the employment of taxation as an instrument to bring about certain economic and social changes.

The advocates and defenders of this particular tax reform had these definite purposes in mind: (1) to encourage private improvements of all kinds through fuller development and redevelopment of urban land; (2) to check land monopoly and land speculation that hinder the highest and best use of land; (3) to collect a larger share of the "unearned increment" of land values for public revenue as a matter of justice and equity; and (4) to reduce the tax burden on improved real estate, particularly for the benefit of home owners but also including many other real estate owners, and indirectly their tenants.[3]

The fact that the graded tax plan was so ardently advocated by its prin-

[2] "The taxing power is among the most powerful and far-reaching of the attributes of sovereignty. Even when applied only for the purpose of securing government income, its indirect effects may be, indeed certainly will be, very great. When consciously used for the accomplishment of other ends its power can scarcely be exaggerated." Fred Rogers Fairchild, *Elementary Economics* (New York: The Macmillan Company, 1930), p. 372.

[3] "A tax imposed on a dwelling tends to be borne by the occupier. If the owner is also the occupier, the situation is simple enough; the burden clearly must be borne by him. But if, as is commonly the case, the dwelling is let and is built with the expectation of letting, the burden is likely to be shifted to the occupier (tenant) in the shape of higher rent. The building will not be put up unless the owner has reason to believe that the rents will yield him the current return on investment, and will yield that return net; that is, after payment of all expenses. Taxes are reckoned by him among the expenses. . . . A remission of taxes would not necessarily lower rents at once; this consequence would ensue only after the greater return to the owners had stimulated an increase in the supply of houses." F. W. Taussig, *Principles of Economics* (New York: The Macmillan Company, 1912), p. 518.

cipal sponsors,[4] and at the same time bitterly opposed by some of its critics,[5] tends to indicate that something of real importance was involved in the debates. Even if a careful analysis indicates that the measures adopted in 1911 and 1913 represented only a moderate tax reform of rather limited application, the new principle of taxation that was involved in this legislation was evidently of sufficient consequence to arouse keen interest on both sides.

Recognizing that social progress usually is made by a series of steps, especially in an experimental stage, the sponsors of the graded tax decided not to demand all that might be desirable but to propose a compromise that they believed could be enacted into law without delay. They were convinced that in actual operation this compromise plan would accomplish a sufficient change in the local tax system to demonstrate the value and soundness of the principle and to produce concrete benefits that could be seen and measured, and thus serve as a guide to future action.

Because Pittsburgh's graded tax, though very significant in principle, constitutes no radical departure from conventional methods of taxing real estate in American cities generally, it is somewhat more difficult to discover just what has happened in this city and also to identify definitely cause and effect in any such consequence. The task is further complicated by the great social and economic changes that have taken place in the United States since 1913.

Many students of economics and taxation favor the complete exemption of all improvements in or on the land (and other natural resources) from taxation. It is fair to assume that the sponsors of the Pittsburgh plan were strongly inclined in that direction. In other parts of the world (notably Australia and New Zealand), many municipalities have shifted local taxes completely (and at one step) from improvements to land.[6] Students have

[4] "A statute so pre-eminently fair and so thoroughly in accord with enlightened modern ideas of taxation that it has been favorably commented upon from one end of the United States to the other. . . . It is endorsed by and is clearly in the interest of the vast majority of the public." *Pittsburgh Press*, editorial, June 11, 1915.

[5] "The main purpose of this act is to compel property owners to either sell or improve. This presupposes a general condition of property holders refusing either to sell or improve. This is not true in Pittsburgh—on the contrary, it is quite an exception.

"The selling and improving of property is controlled by the law of supply and demand, and that will be the controlling motive regardless of taxes.

"It takes the tax off those best able and puts it upon those least able to pay. The higher tax on land means ultimate confiscation by the municipality.

"In the downtown district from which the great bulk of revenue is derived, only the owner of the skyscraper is benefited by the act. The owner of an ordinary, in fact, a very fair-sized building is penalized, and the owner of land only is penalized." Anonymous leaflet published in 1915 by advocates of repeal.

[6] H. Bronson Cowan, *A Graphic Summary of Municipal Improvement and Finance*, International Research Committee on Real Estate Taxation (New York: Harper & Bros., 1958).

cited special reasons why this proved to be quite feasible there. But such a drastic change appeared to be more than the Pittsburgh land taxers felt it would be practicable to seek when the issue was presented to the Pennsylvania Legislature in 1913. Municipal home rule in taxation was not then constitutional in this state.[7] So the demand was made only for lower taxes on improvements and higher taxes on land values, with specific mandatory ratios stipulated in the law, leaving any further steps for future determination. The limited goal was adopted in order that something of value might be accomplished at once to meet the needs for immediate reform.

How far has Pittsburgh gone with this experiment? Is there any serious defect in the method that was adopted in 1913? And has anything occurred in the interval since 1913 to affect significantly the operation of the plan as it was then conceived?

Pittsburgh has gone just as far as the act of 1913 authorized the city to go in shifting taxes from improvements to land. But there have been some very significant changes in the fiscal situation in the years that have elapsed since the adoption of the graded tax. Most important of these are the changing ratio between land and building values and the sharp increase in the general tax levy.[8]

As long as buildings are taxable, the specified shifting of a part of the burden from buildings to land will be influenced by the relation of total land values to total building values. This is true because the law does not require any specific reduction in the building tax rate but does require that the building tax rate (whether higher or lower) shall be at any time just exactly one-half of the land tax rate.

[7] Pennsylvania State Constitution, Article XV, Cities and City Charters, was amended by popular vote Nov. 7, 1922, to permit the Legislature to grant home-rule powers to all cities by specific legislation. This power has since been granted by several acts of the Legislature as issues arose and has beeen exercised by the cities on various occasions.

[8] In 1914 land values as assessed comprised 63 per cent and building values comprised only 37 per cent of the total city assessment. But in 1960 assessed land values comprised only 35.3 per cent and building values 64.7 per cent of the total city valuation—almost an exact reversal of the situation prevailing in 1914. A similar trend is found in other American cities.

The following figures from the Controller's annual reports of the City of Pittsburgh show how the annual real estate tax levy has increased in the period from 1913 to 1960:

1913—$ 7,027,039.06
1914— 7,713,118.09
1915— 7,960,231.15
1925— 15,033,990.31
1930— 22,648,581.94
1945— 17,660,700.58
1960— 30,089,399.87

If the total city revenue required increases several times over the original budget that was needed in 1914, it is obvious that the building tax rate must be increased along with the land tax rate even though the former remains only half as much as the latter.

The situation is slightly complicated and requires some analysis because of various factors that enter into the picture. Some of these were anticipated when the law was enacted; others could not possibly have been foreseen. For since 1913 we have witnessed two world wars, the great depression of modern times, and in more recent years an era of great inflation, high production and high taxes.

Higher Cost of Government Affects Tax Rates

HIGHER MUNICIPAL TAXES are the result of rising price levels[9] and some expansion of governmental activities and services. The total assessed land and building valuations may rise or fall for various reasons.

Land values are affected from time to time by such factors as general booms and depressions, increase or decline in population, decentralization of trade and industry, higher or lower tax rates, etc. Total assessed land values may also be reduced by the transfer of valuable land from the taxable to the exempt list by putting it to uses specified by law.[10] Building values are constantly changing as new buildings are erected and old are razed or renovated. Buildings are constantly subject to depreciation because of physical deterioration or neighborhood deterioration. But one of the greater factors affecting building values in recent years has been the sharp increase in the cost of labor and materials required for new construction, a

[9] The following may be indicative. Its statistical shortcomings are apparent. *Employment, Growth and Price Levels,* Joint Economic Committee, U. S. Congress, 1959, Years 1800–1958 (1851 – 59 = 100), Consumer Price Index: 1913, 113; 1920, 229; 1930, 191; 1933, 148; 1940, 160; 1950, 275; 1958, 330.

[10] Total Valuation of Tax-Exempt Real Estate, City of Pittsburgh, from City Assessment Records for Year 1960:

Land	$138,099,640
Buildings	263,876,963
Total	$401,976,603

Included in the above total of exempt property is the following residential property, from which the city derives an annual revenue in lieu of taxes but which is not included in the taxable assessment rolls:

Total Valuation of Public Housing Properties

Land	$ 4,591,086
Buildings	15,549,474
Total	$20,140,560

factor which also has a very significant influence on the replacement cost of older buildings and hence upon the market value as reflected also in assessments.[11]

A complete table of the municipal tax rates and of the total assessed land and building valuations (upon which these rates were based) has been compiled. (See Tables I and II in the appendix.) These figures provide a basis for an understanding, or for an interpretation, of what has happened since 1913.

It can be seen that land and building tax rates were simultaneously adjusted upward and downward between the years 1913 and 1925 until a ratio of 2 to 1 was reached by a series of 10 per cent steps. This ratio has continued ever since.

Some misunderstanding has resulted because some observers have apparently been confused as to the exact operation of the law. They have assumed that a 50 per cent building tax rate implies a 50 per cent reduction in the building tax rate. This is not now and was never true, because the land tax rate was simultaneously increased, as will be seen in Table I. So the reduction would necessarily be less than 50 per cent. This meant that when total land and building values were approximately equal, the land tax rate was about one-third higher by reason of the graded tax; the building tax rate was one-third lower.

But even this assumes that the assessed valuations of land and of buildings, which had reached a point where their totals were approximately equal,[12] would remain so. However, there were good reasons to expect that the assessed valuation of buildings would increase more than the assessed valuation of land.[13] And this has been the constant tendency, so

[11] A sensational increase in building construction costs since 1913—greatly in excess of the increase in the general price level—is reflected in the *Engineering News Record* index based on annual averages: 1913, 100; 1920, 207; 1930, 185; 1933, 148; 1940, 203; 1950, 375; 1955, 478; 1958, 527; 1959, 595.

[12] It will be seen from Table II that land and building valuations were approximately equal in 1929 (building values having been much less than land values in the earlier years) but that since 1930 assessed building valuations have tended to exceed assessed land valuations, and that since 1940 the proportion of building to land values has grown steadily.

[13] In a prosperous city like Pittsburgh, new and better buildings are constantly being erected and added to the assessment rolls. Of course, there are many old buildings that are deteriorating in value, and some of these are razed from time to time to make way for new buildings or for parking lots. But rising costs of labor and material since 1913 have caused *appreciation* in nearly all cases to be more rapid than physical and economic (obsolescence) depreciation combined. (See Robert W. Semenow, *Questions and Answers in Real Estate* [Englewood Cliffs, N. J.: Prentice-Hall, 1957], p. 405.) On the other hand it is generally recognized by economists that a higher tax on land tends to reduce the market value of land. This will be reflected in lower assessed valuations, especially when population and trade within the city limits are not expanding as the result of changing social and economic conditions.

that today the total building valuation is very much in excess of the total land valuation. This means that less than the estimated one-third reduction in the building tax rate now prevails and is likely to prevail under the terms of the existing law and with the probable trends in the value of urban land and buildings.

So, as of 1960, we find that the total building valuation is substantially higher than the total land valuation. As a result, the land tax rate shows an increase of 48 per cent by reason of the graded tax, while the building tax rate shows a decrease of only 23 per cent as compared with the flat rate that would be required to raise the same revenue if the graded tax plan were not in effect.

But, as everyone knows, there has been a tremendous increase in the cost of living and hence in the cost of government since 1913.[14] This has been most conspicuous in the case of the federal government with its huge expenditures for war and national defense. But a situation somewhat similar is found in virtually all state and local governments, brought about by rising costs and expansion of services to deal with new problems of our modern society. Pittsburgh, of course, has had to meet the same conditions as other municipalities and thus requires much greater revenue than was needed forty-five years ago.

This has affected both land and building tax rates, since both classes of properties must bear the proportionate share of the total real estate tax burden that the act of 1913 stipulates, whether that total be greater or less than was true at the time the system was introduced. So it will be seen that both tax rates are definitely higher than in 1913. Owing to the growth of the total tax budget, land taxes increased much more than might have been anticipated. And on the other hand, the lower tax ratio on buildings was not great enough to offset the requirements of the expanded tax budget; it merely prevented the building tax rate from rising nearly so high as the land tax rate. So from the viewpoint of municipal history, there has been an absolute increase in the building rate rather than a reduction.

But we are concerned primarily with present conditions and present

[14] "The cost of government is rising even faster than the cost of living. *Tax Foundation, Inc.*, a private group, reports that federal, state and local government spending more than doubled between 1950 and 1960. Ten years ago, governmental spending totaled \$70,334,000,000. Last year, the figure was 153 billion dollars. And in fiscal 1961, it will be almost 161 billion dollars, the foundation said yesterday in its biennial publication." *Pittsburgh Press*, Feb. 27, 1961. For the City of Pittsburgh, in 1914 the real estate tax per capita of population was \$12.38. By 1960 it had risen to \$50.09, reflecting a marked increase in the cost of municipal government. These figures combine land and building taxes to compare the general real estate tax burden in the period during which the graded tax has been in operation.

needs. If the graded tax law of 1913 were being put into effect for the first time in 1960, the reduction in the building tax would be very apparent to all. And if by chance the graded tax law were now to be repealed, the resulting increase in the building tax would be very apparent and would be felt by a majority of the real estate owners. So from the practical basis of the present day, the lower building tax rate brought about by the graded tax plan is a very real reduction. Certainly it represents a real saving in taxes to most taxpayers. This is generally recognized.

But the historical table of rates and valuations is significant because it gives an understanding of the fiscal revolution that has taken place in American cities, including Pittsburgh, since 1913. It also reflects the almost universal tendency for building values to grow much more than land values.[15] And it is also evident that the tax problem is not so simple as it was in 1913.

Tax Savings for Many Owners

ONE OUTSTANDING FACT that is not disputed by those familiar with the graded tax plan is that the act of 1913 has brought about a definite shifting or transfer of a substantial portion of the tax burden from one class of property to another, and consequently from one group of taxpayers to another. And this is something that can be accurately measured by simply taking into account the total tax revenue required in any year from real estate as a whole, then referring to the official records showing total assessed land and building valuations, and calculating the rate of tax that would be required to raise the same revenue if a uniform rate were to be applied to all taxable real estate (as was the case prior to 1914). This rate can be compared with the taxes now actually paid on land and buildings at the differential rates. Following this method, some interesting facts and figures are revealed.

[15] "The proportion of land values to the total assessed value of real estate was about 60 per cent prior to 1910 and has declined since to between 30 per cent and 40 per cent. Exact figures are not obtainable, but we have recent figures for seven states which, together, account for over half the assessed value of real estate in the country. These states and the ratios of the assessed value of land in them to total assessed value of real estate are as follows:

California	41 per cent
Indiana	41 "
Illinois	40 "
New York	38 "
New Jersey	29 "
Massachusetts	28 "
Ohio	26 "

"The vast increase in the assessed value of buildings is due largely to the increased cost of building materials and labor." Lawson Purdy in *Land Value Taxation Around the World* (New York: Robert Schalkenbach Foundation, 1955), p. 83.

In Pittsburgh the graded tax means that for the year 1960 the total taxes on buildings are approximately $5,000,000 less than the amount that would have been levied on buildings that year under the old flat or uniform rate system, were it still in effect. If the old system were in use today, a flat rate of 25 mills, or $25 per $1,000 of valuation, would produce approximately the same amount of revenue.[16]

Thus it is possible in any individual case to determine by mathematical calculation exactly how much each taxpayer gains or loses in tax dollars. A study of the actual tax situation in Pittsburgh clearly indicates that the great majority of real estate owners are saving money in taxes through the graded tax law. It follows, of course, that the owners of vacant or under-improved land are paying higher taxes, as contemplated by the sponsors of the law. Where land values are very high, as in the downtown "Golden Triangle" and in some other important shopping centers, most of the properties (including some with very substantial improvements) now pay more. But in the residential areas a large majority pay less taxes.

A significant change is to be noted in the calculation of tax savings to individual owners. In earlier years anyone having improvements equal in value to the value of the land on which they were erected would have realized a saving in taxes. But the ratio between land and building values has been materially altered in recent years. There has been a rapid rise of building values, because many new buildings have been erected and especially because the costs of labor and material have multiplied.

The ratio of building valuations to land valuations is now 183 and is continuing to grow. So it is necessary to have a building value almost double the land value in order to achieve a substantial net saving in taxes.

Such a preponderance of building value is rarely found in the case of properties situated in the heart of the downtown business district. But in most other areas, building values greatly exceed land values. And this is especially true since buildings now have a much higher market value chiefly because of the great increase in construction costs of new buildings, which also means a higher cost of reproduction or replacement in the case of older buildings.

Our study shows that most taxpayers are still tax savers under the graded plan. But in high land-value districts many instances will be found where the new ratio between total land and building values has resulted in a change of status. The ordinary downtown business building is either of less value than its site or its value is not much in excess of it. Hence most

[16] Total Taxable Real Estate Valuation, 1960—$1,201,801,924 @ rate of 25 mills = $30,045,048.10.

of these properties fall below the ratio required to break even or to save in net taxes paid.[17] (See Table VII in the appendix.)

Yet a survey of a number of typical cases (see Tables III, IV, V and VI) shows large annual savings in taxes paid by various office buildings, hotels, manufacturing plants, warehouses, apartments and homes. The degree of the tax savings varies naturally with the size and type of building in relation to the value of the land upon which it stands.

Three of the newest and largest downtown office building properties show tax savings annually of $61,000, $51,000 and $36,000, respectively. The next group of three modern office buildings shows savings of $21,000, $15,000 and $14,000, respectively. All apartment buildings show large tax savings because their land sites are not of relatively high value. One of the newest apartment buildings had a tax saving in 1960 of $11,000. Manufacturing plants generally show very substantial tax savings.

But it is the home owner who emerges as the chief direct beneficiary of the graded tax. This is widely recognized as one of the principal reasons why this plan has popular support. Only in rare instances do we find a home owner paying a higher tax under the graded tax. The typical home owner's investment is largely in building rather than land, it being quite common for the assessed value of the house to be as much as five times the value of the site, and often this ratio is exceeded.

Special Incentive to Manufacturers

EVERY MODERN COMMUNITY is interested in the competition for new industries and in encouraging the expansion of the industries which it now has. So it is important to observe that manufacturers have received very generous consideration under the Pittsburgh tax plan.

The City of Pittsburgh, under a special act of the Legislature passed in 1911, exempts entirely from taxation all machinery attached to and formerly considered to be part of real estate. If not thus specifically exempted, such machinery would be subject to the regular tax rate on buildings.

These machinery values do not appear on the city assessment books.

[17] A survey made by the City Board of Assessors in 1925, the year the graded tax law became fully effective, revealed that in the 13th ward, a typical residential section having many middle-class homes, 76 per cent of all property owners (including those owning commercial properties or vacant lots) benefited by lower taxes under the graded tax. At the same time, a survey of the Golden Triangle (the downtown commercial district included in the 1st and 2d wards) showed that out of a total of 1,191 properties then listed on the assessment rolls, only 95, or about 8 per cent, paid lower taxes because of the graded tax law. This is the section having the highest land values in the city, where any system of land-value taxation would naturally fall the heaviest.

But because machinery is appraised by the County of Allegheny for tax purposes, it is known that the total machinery exemption within the city now amounts to 78 million dollars. This means an additional tax saving to manufacturers of about three million dollars annually, since it applies both to city and school taxes.

Has the Graded Tax Achieved its Purposes?

THIS STUDY has already revealed that many real estate owners and most home owners are enjoying the benefits of substantial annual tax savings because of the graded tax plan. Yet if one regards the reduction of taxes on buildings as the principal purpose of the graded tax plan, one is likely to conclude that the plan has not been highly successful. This is due in part to the limitations of the present law, in part to fluctuating land and building values, but in larger measure to the growing demands for a greater aggregate public revenue.

While five million dollars in taxes has actually been shifted or transferred from buildings to land, building taxes are, in fact, much higher today than when the graded tax plan was adopted.[18] The reason for this, of course, is that the steadily increasing cost of government has absorbed the tax savings to the owners of buildings. One can only say that were it not for the graded tax plan, the present building taxes would be much higher than they are. But it cannot be said that taxes on buildings are actually low in Pittsburgh, though they are somewhat lower than in many other cities.[19] In this respect, the sponsors of the graded tax law, as well as its beneficiaries, are disappointed. It had, of course, been hoped that there would be a large reduction in building taxes, perhaps even as much as the 40 per cent which the sponsors forecast in 1913.

It will be recalled that one of the major purposes of the graded tax plan was to encourage private improvements of all kinds—in other words, to stimulate building to the fullest possible degree. Lower taxes on buildings would certainly tend to have this effect. But the reduction of building taxes was not, in fact, the principal purpose of the graded tax plan. Higher taxes on land were the major goal.[20] If we accept this premise, the graded

[18] The city building tax rate in 1913 was only $8.90 per $1,000 valuation. In 1960 (due to rising costs) it was $18.50 per $1,000 valuation even though the building tax rate is set annually at only one-half of the land tax rate.

[19] For example, the real estate tax rate per $1,000 valuation (applied to buildings) is as follows in these typical cities: Cleveland, Ohio, $36.00; Dayton, Ohio, 35.20; Cincinnati, Ohio, $34.72; Toledo, Ohio, $30.50; Albany, N.Y., $25.40; Rochester, N.Y., $24.30; Baltimore, Md., $36.00; Washington, D.C., $23.00; Detroit, Mich., $25.25; Pittsburgh, Pa., $18.50.

[20] "The high prices of land and correspondingly high rents are the chief obstacles to Pittsburgh's progress. . . . Enormous speculative values of land were created and Pittsburgh boomed in real estate as it had in steel. . . . A few individuals place and

tax plan has been a success. And, of course, the steadily increasing cost of government has contributed very materially to the achievement of this purpose.[21]

Since the advocates of land-value taxation desire to have the maximum amount of economic rent appropriated for the public benefit, the sharp increase in land taxes in Pittsburgh, for whatever reason, may be regarded with satisfaction. For the higher the land tax, the greater is the check on land monopoly and land speculation. A high land tax is a powerful influence to encourage, if not actually to require, the highest and best use of the land.[22] An even fairly high building tax rate might not prevent such development under these circumstances.

While it is difficult to calculate economic rent precisely, the available figures indicate that approximately one-half of the economic rent in this community is now being collected in the form of local taxes.[23] It may be unfortunate that despite such a large levy on land values the requirements for public revenue are such that it is still necessary to levy a very substantial

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hold land prices at a figure which prevents the profitable use of the land by others. . . . The proposed tax plan would not destroy any real value of land, but rather establish a value which would be stable." *Civic Bulletin*, Pittsburgh Civic Commission, January, 1912.

[21] Total combined tax rates on land and buildings in Pittsburgh for all three units of local government for the year 1960:

Unit	*Land*	*Buildings*
City	37.00 mills	18.50 mills
School District	16.00 "	16.00 "
County	11.00 "	11.00 "
Total Tax Rate	64.00 "	45.50 "

[22] "Taxes on the value of land not only do not check production but they tend to increase production, by destroying speculative rent. How speculative rent checks production may be seen . . . in the valuable land withheld from use." Henry George, *Progress and Poverty* (New York: Robert Schalkenbach Foundation, 1942), p. 413.

[23] Economic Rent and Taxes, City of Pittsburgh, Year 1960:

Estimated Market Value of All Taxable Land	$600,000,000
Estimated Economic Rent (after Land Taxes) @ 5%	30,000,000
Economic Rent Collected by All Local Land Taxes	27,136,000
Total Economic Rent	$ 57,136,000

(Estimate based on Total Assessed Land Valuation for 1960 of $424,000,000)
Total Land Tax Levied, 6.4% = $27,136,000
$27,136,000 = 47.49% of total economic rent of Pittsburgh

"The economic or ground rent is the residual rent attributed to the earnings of the land itself after fair allowance has been made for the chargeable expenses of the improvements and the fair rate of interest allowed for the money invested in the improvements." Robert W. Semenow, *op. cit.*, p. 409.

"Economic rent is a net income from the use of land, distinct from all income from labor and the use of capital." Fred Rogers Fairchild, *Elementary Economics*, (New York: The Macmillan Company, 1930), p. 101.

tax on buildings. Had the cost of government remained low as in 1914, it would have been rather an easy matter to transfer all the municipal tax to land values and to exempt improvements completely.[24]

So even though there has been no radical departure (except in principle) from conventional tax methods, the Pittsburgh tax plan has become of greater significance than ever before because such a large proportion of the economic rent is being collected now in taxes—enough, in fact, to produce some important economic benefits.

The Problem of Assessing Land and Building Values

IN ORDER TO TAX any property according to its value, it is first necessary to place a value on it. So the valuation of real estate for tax purposes is one of the important functions of all local governments. All students of existing valuation practices throughout the United States agree that almost everywhere there is much room for improvement in methods of assessment. Standards of valuation are certainly far from uniform. And when there are glaring inequalities of assessment within the limits of the municipality that levies the local taxes, the individual taxpayer suffers an injustice and is certainly entitled to a remedy. Many cities and counties are becoming aware of this situation and the inequalities involved and are taking steps to make a revaluation of all taxable properties to bring assessments more nearly in line with changing real estate values.

In Pittsburgh it is, of course, essential that the assessors make separate valuations of land and buildings. Most of the large American cities and many smaller ones already do this as a matter of good appraisal practice.[25] But it is only under a system of differential rates, as in Pittsburgh, that the separate valuation of land and buildings becomes a matter of real importance.

The City of Pittsburgh has assessed and reported separate total valuations for the land and buildings since 1914, when the graded tax first became effective. Having adopted a policy of concentrating more of the tax burden on land, city officials have always been conscious of the importance of

[24] In 1914, with a real estate tax levy of only $6,905,572 (on land and buildings combined), a land tax rate of only 14.38 mills would have been sufficient for city revenue, with no tax whatever on buildings.

For 1960, with a real estate tax levy of $30,089,399.87, a land tax rate of 70.75 mills would be required for city revenue alone in order to exempt buildings completely from city taxation.

[25] "A primary requisite of all standardized assessment systems is separate valuation of land and improvements. Entirely different techniques have been developed for the wholesale appraisal of these two major divisions of real property." *Assessment Principles and Terminology* (Chicago: National Association of Assessing Officers, Public Administration Service, 1937), p. 53.

establishing and maintaining a reliable system of land valuation. And, of course, the valuation of buildings for tax purposes could not, in fairness to all taxpayers, be neglected.

Changing conditions require that assessors be alert to make frequent revision of assessed valuations. It is not enough merely to add new buildings to the rolls or eliminate old structures that have been razed. The market value, and hence the assessed value, of both land and buildings is subject to frequent changes, both upward and downward. In Pittsburgh in 1957 Mayor David L. Lawrence launched a campaign for a more realistic appraisal of both land and buildings in order to make sure that all taxpayers were fairly assessed and that nothing was permitted to hinder the proper functioning of the graded tax plan. The aim was to induce the Assessment Board, which is not directly responsible to the Mayor or the City Council, to assess real estate of both classes at its full market value as the laws of Pennsylvania stipulate. The assessment figures for the triennial assessment of 1960 indicate that some progress is being made.[26] But this needed reform will probably be achieved only by steps, owing to the labor and expense required to make a complete revaluation of all properties in both the city and county at one time.

Looking backward, Pittsburgh has made a great deal of progress since the early days in its system of determining the assessed valuation of real estate. It was one of the first cities to establish the separate assessment of land and buildings. Between 1922 and 1942 the City of Pittsburgh, functioning through a City Board of Assessors created by the city charter (appointed by the Mayor and confirmed by Council), succeeded in establishing a fairly high standard of evaluation for both land and buildings. Particular attention was given to obtaining a full assessment of the more valuable land within the city. But probably a 100 per cent assessment of either class of property was not quite reached when the depression of the early Nineteen Thirties developed. The depression resulted in such sharp declines in real estate values in the market that it was found that much real property was actually assessed at more than its current market value. Downward revision then became necessary in Pittsburgh as in virtually all other American cities. This downward adjustment took place slowly, through the processing of a great number of appeals from individual taxpayers, and extended over a period of at least ten years.

[26] In making the triennial assessment for the year 1960, the Assessment Board increased the total assessed valuation of land more than nineteen million dollars, or the equivalent of 4.8 per cent. This was achieved by the upward revision of land valuations in certain areas where underassessments were discovered. The board is continuing gradually to revise land valuations upward in all sections of the county.

Since 1942 the City of Pittsburgh has had no direct control over the assessment of land and buildings, even though most Pennsylvania cities still retain control through their own city assessors and are thus in the more fortunate position of being independent of any county board. But in the name of economy and efficiency and after a long period of discussion and agitation, it was concluded that one real estate assessment by a county board, covering the entire county, would avoid some duplication of work. The courts rejected as unconstitutional an alternative plan, proposed by city officials, which had passed the State Legislature in 1937 and had been signed by Governor George H. Earle, the sponsor of this bill having been Senator Bernard B. McGinnis. The appeal to the court was taken on the ground that if two separate assessing bodies were authorized to make assessments in certain areas of the county, there would be a tendency to produce a result that would not be uniform throughout the entire area. So the City Board, despite a good record of performance on a small budget, was abolished by act of the Legislature and its functions transferred in January, 1942, to the Assessment Board of Allegheny County appointed by the County Commisisoners.

Do Assessments Support or Obstruct the Graded Tax Plan?

OCCASIONALLY QUESTIONS have been raised as to whether or not the purpose of the graded tax plan is being nullified to a greater or lesser degree by prevailing practices in fixing assessed valuations of land and buildings. This, of course, would be posssible, as assessors do exercise considerable power.

The fact is cited that the total assessed building valuations in Pittsburgh have greatly increased during the period that the graded tax has been in operation. Hence there has not been nearly so great a shift of the total tax burden from buildings to land as some may have anticipated. It is alleged or implied that this is due to faulty administration of the law on the part of the assessors, though it should be apparent that there are other reasons that would fully account for the large increase in the total of assessed building valuations.

We have only to look at the situation throughout the United States as reflected in statistical reports to see that building valuations are growing rapidly almost everywhere and are tending greatly to exceed land valuations. This is doubtless the major factor and reflects the great increase in recent years in the cost of labor and materials required for building. The market value of all buildings is, of course, largely based upon the cost of production, or of reproduction in the case of older buildings, with due allowance for actual depreciation. And in periods when there is a scarcity of housing or of business buildings, the law of supply and demand tends to produce higher rents and higher market prices. And assessed values naturally reflect these conditions.

A second important consideration that some may have overlooked is that lower tax rates on buildings and higher rates on land tend to stimulate building. And as more and better buildings have been erected during the years that the graded tax has been in effect, these buildings have been added to the tax rolls to an amount that much more than offsets the depreciation in value of older buildings still standing, plus the loss in value due to the razing of old buildings to make way for new. And the new buildings that have been added to the rolls were much more costly to construct than the ones that they may have replaced.

Yet the question still remains: Are buildings overassessed or underassessed today in Pittsburgh? Our study indicates that despite the great increase in the total assessed valuation of buildings during the graded tax era, buildings are underassessed rather than overassessed. That is to say, the average assessed valuation of buildings is not only much below their market value but is also proportionately lower than the average assessed valuation of land within the city.[27]

Another point very closely related to the one that has been under discussion is the criticism that total assessed land valuations have not increased

[27] The Pennsylvania State Tax Equalization Board's survey of assessments indicates that the assessed valuation of Pittsburgh's real estate is only 55.1 per cent of current market value as of 1959, but does not make any distinction between land and building values in its analysis of real estate sales and other pertinent data.

While an analysis of every sale, involving many thousands of properties, has not been feasible and therefore exact calculations were not arrived at, our study points to the probability that on the average building assessments within the City of Pittsburgh are approximately 45 per cent of fair market value at present (though not on a uniform basis throughout) and that land assessments within the city would average approximately 70 per cent of fair market value (ranging from 25 per cent to 100 per cent, and above 100 per cent of market value in isolated instances).

Building permits are issued for new construction, alterations, and remodeling work. Although the costs estimated at the time the permits are issued are almost always conservative, Pittsburgh's records show that between 1945 and 1956 permits have been issued for work estimated to cost $389,089,690, whereas during the same period of time the assessed value of buildings, *both taxable and exempt,* gained only $186,668,049. This is clear evidence that buildings are relatively underassessed for tax purposes.

Further, many sales of residential properties (where the land value is small as compared with the building value) show that the selling prices are greatly in excess of the combined assessed valuation. In the case of commercial structures, assessed values of buildings recorded at much below estimated cost of construction serve to indicate that buildings in the downtown district are also assessed at much less than present full value, especially in view of the fact that building permit estimates would probably average only between 70 and 80 per cent of actual cost of construction.

commensurately with the increase in building valuations but, on the contrary, have actually shown some decline in the forty-five-year period. What is the answer to this objection?

Here again we must conclude from our observations that the responsibility for this situation is not primarily one of assessing or administration. There are some serious inequalities still existing in land assessments which are chiefly due to a tendency to undervalue land in the newer sections of the city and to maintain a higher ratio of assessment to market value in the older sections of the city. Because of changing conditions and the lag that so often occurs in the revision of valuations, land assessments are found in some instances to be above market value. A number of properties in high land-value districts have sold from time to time during the past thirty years for prices less than the assessed valuation. This is not generally true throughout the city, but it is clear that the average value of land in Pittsburgh has not shown much actual increase as reflected in market prices. Newly developed areas have increased substantially in value while older areas have declined.

On the whole, we would conclude that land values are assessed somewhat below prevailing market values. But as the ratio for land assessments is higher than the ratio generally followed for building assessments, the conclusion must be that assessment policies in Pittsburgh (though not entirely fair and impartial) tend to favor buildings rather than land, and hence to supplement, rather than to detract from, the purpose of the graded tax plan.

How Much Can Building Taxes Be Reduced?

IT HAS BEEN SAID by some proponents of land-value taxation that Pittsburgh's graded tax law does not go far enough to achieve the ends desired. This perhaps is the real crux of the matter. And the answer to this question will depend not only upon the facts disclosed by our research but also upon the criterion on which our judgment is to be based.

If the end sought is the complete exemption of improvements from taxation, then, as our study clearly shows, only a little progress has been made. Certainly not enough to constitute a demonstration of what would happen if there were complete exemption. But it is enough to show how a city may make an effective approach toward untaxing improvements. The steps that have been taken in Pittsburgh are real steps and have not been self-defeating.[28]

The original sponsors of the graded tax law included persons who

[28] "Pittsburgh is indebted to Percy R. Williams, a member of the City Board of Assessors, for what is perhaps the ablest and most complete analysis of the operation of the graded tax law that has been published. Mr. Williams' article published in the current

strongly favored a complete shift of municipal taxes from improvements to land; others were committed only to what was actually set forth in the text of the law. The sponsors believed that the law as drafted would be a big forward step and might lead to further steps in the same direction. They did not, of course, foresee the great appreciation of building values that had occurred as the result of changing economic conditions on a nation-wide scale. But it is reasonable to think that they anticipated a growth of building values by reason of the added stimulus to new building afforded by the new tax plan, and that they anticipated some tendency to a decline in land values because of the tendency of higher land taxes to check land monopoly and land speculation.

It appeared in 1913 that it might be possible largely to shift the tax burden from buildings to land without requiring a very high land tax rate. It also appeared to be possible that there would be a constant downward trend in the building tax rate, at least until the law became fully effective in 1925, and that there would probably be no great increase in the building tax rate thereafter. But if so, they reckoned without allowance for the great increase in the cost of government that has occurred since 1913.

There were two very significant limitations to the scope of the graded tax law with regard to its effect in reducing building taxes paid by owners of Pittsburgh real estate.

First, the legislation applied only to cities of the second class and thus had no bearing on school districts or counties. It was simply a new tax policy for the City of Pittsburgh as a political subdivision and did not attempt to embrace overlapping political subdivisions that also have the right to levy taxes on real estate within the City of Pittsburgh. As the school district and the county government combined now raise tax revenues from Pittsburghers approximately equal to that raised by the city itself, the graded tax law therefore affects only about one-half of the total combined tax levy on Pittsburgh real estate.

Second, the law specifies that after 1925 the building tax rate shall always be exactly 50 per cent of the land tax rate, and the actual rates imposed from year to year shall depend upon the tax requirements of the

number of the 'National Municipal Review,' comprises a complete record of the tax system during the twelve years of the city's experience, and offers a modest and convincing appraisal of that experience. . . . Mr. Williams cites comparisons to show that all classes of improved real estate have benefited under the new tax law. . . . What owners of downtown office buildings save on their buildings is largely offset, Mr. Williams proves, by the higher tax upon the land upon which those buildings stand. But, of course, the graded tax law was not intended to save money to any group. It was passed to encourage building. Mr. Williams thinks it achieves that object." *Pittsburgh Sun*, editorial, Dec. 16, 1925.

city budget. Under the terms of the law, the land tax rate was gradually increased so that enough additional revenue would be derived from land values to permit a relatively lower building tax rate and maintain the fixed ratio of 2 to 1. This process could not result in much more than a reduction of one-third in the building tax rate, nor an increase of much more than one-third in the land tax rate. This situation would continue so long as total land and building valuations were approximately equal (as they were for a period of time). Now that building values are much higher than land values, the reduction in the building tax rate is in fact much less than one-third.

Soundness of the Graded Tax Method

IT WOULD THUS APPEAR that the only valid criticism advanced by the friends of land-value taxation is that the graded tax law does not go far enough in the process of shifting taxes from improvements to land values. The Pittsburgh experiment was, of course, in the nature of a compromise between the proposal for an exclusive land-value tax and the retention of the conventional flat tax on all real estate (land and buildings alike). There was no commitment on the part of the State Legislature nor of the city government to go farther. But in view of the enthusiasm with which the tax-reform leaders and newspaper editors greeted the adoption and the successful defense of the graded tax plan, it may be assumed that they did feel that it constituted an important step in municipal tax reform.

Pittsburgh's long experience has proved the soundness of the graded tax method and has also shown how its adoption can be achieved through a gradual approach. If the results have been less than some expected, this would be due primarily to the limited scope of present legislation and not to any inherent defects in the method of approach. Nothing has occurred to defeat or to nullify the act of 1913.

Pittsburgh is not to be regarded as radically different from other great American cities. But it has recognized the importance of the land problem. And it has taken a significant step which tends to demonstrate the positive benefits to be derived from the taxation of land values.

The Graded Tax in the Redevelopment of Pittsburgh

Pittsburgh's Golden Triangle

"THE BIGGEST REAL ESTATE and building story in the United States today is Pittsburgh." This opinion was expressed by *Architectural Forum* in November, 1949. No other community in America has commanded more attention in its postwar development than the City of Pittsburgh. Its reputation as a vigorous, resurging urban center has spread around the world.

Publication after publication[1] has extolled the rebuilding of this city in terms of its new skyscrapers, parks, parkways, smoke and flood control programs and a host of other public and private improvements.

Pittsburgh is in the midst of a redevelopment program which is without precedent in the history of American cities. Growth has been the usual pattern in our urban life; cities have tended to expand rather than to rebuild, and decay in the aging core has been accepted with resignation as the inevitable price of getting old.

While the city and the state have engaged in extensive public improvements, such as highways, tunnels and bridges, the Urban Redevelopment Authority[2] has been the principal coordinating agency and there has been a tremendous investment by private enterprise.

Pittsburgh's central business district—the Golden Triangle—is the capital for nearly 4,500,000 persons in the Tri-State area, reaching into adjacent Ohio and West Virginia. Located at the headwaters of the Ohio industrial valley, the Triangle is the hub of the area's traffic ways and its vast transportation system. Approximately 85,000 jobs are available in the Triangle today because of its functions as the center of administration, special business services, finance, government, retail and wholesale establishments for a broad region around. In addition to its regional importance, the Triangle is also the vital tax base of both the city and county—accounting for about one-fourth and one-tenth of the assessed valuations, respectively.

[1] For a list of 27 magazines which have published leading articles dealing with Pittsburgh and its redevelopment program, see Appendix.

[2] *Pennsylvania Laws*, 1945, p. 991. Act No. 385, creating public bodies, corporate and politic, to be known as Redevelopment Authorities for all cities and counties of Pennsylvania, and authorizing the Mayor or Board of County Commissioners to appoint an Urban Redevelopment Authority Board consisting of five citizens, the Authority to exercise, among other things, the power of eminent domain in acquiring real property for purposes of redevelopment in any blighted area.

Approximately 330 acres in size, the Triangle is one of the most compact business districts in the United States. The Allegheny and Monongahela rivers merge and form the Ohio River at what is commonly called the Point. The area lying between these two rivers and extending nearly a mile eastward from the juncture comprises the famous Golden Triangle.

The Triangle's role as the unblanched economic heart of the Pittsburgh area[3] remains unchallenged even in a period of explosive suburban growth—largely because civic leaders and public administrators agreed in the early days of the renaissance that the values of the Downtown[4] must be preserved and strengthened before all else. The first steps to create a Point Park were taken the latter part of the administration of Mayor Cornelius D. Scully. The Point was the oldest part of the city—a section where blight and decay had made deep inroads over the years. It was the logical point of beginning.

A Major Redevelopment Project

THE REBUILDING of Pittsburgh began in the Downtown in 1950 with the demolition of 59 acres of commercial blight at Pittsburgh's Point to make way for Point State Park and the Gateway Center office development.[5]

As it stands today, with seven major skyscrapers completed and occupied, the Gateway Center project, carried out by the Urban Redevelopment Authority and the Equitable Life Assurance Society of the United States, represents a $29,697,444 increase in assessed valuations.

The builders of seven uptown buildings—the United States Steel, the Aluminum Company, Carlton House, Bigelow Apartments, W. T. Grant Company, United Engineering, Pennsylvania Railroad warehouse structures—together have been responsible for another $32,531,205 increase.

Other new structures, such as the H. K. Porter Building, Reserve Bank

[3] Area: City of Pittsburgh, 57 square miles; County of Allegheny, 745 square miles. Population, 1960 Census: City of Pittsburgh, 600,684; County of Allegheny, 1,622,887.

[4] Assessed land values per square foot in the Golden Triangle range from $200 in the highest value block on Fifth Avenue to $5 on Fort Pitt Boulevard on the Monongahela River front. Square-foot rates vary in proportion to the depth of the various lots. These assessed values are very close to the prevailing market prices. Ground rents per square foot on Fifth Avenue (downtown) range from $4.26 to $6.42 as compared with a parcel on Sixth Street at $3.35 per square foot. These are net ground rents, the lessees being required to pay all real estate taxes.

[5] *Pennsylvania Economy League Newsletter*, "The Long Road Back" (May–June, 1960), Pittsburgh, Pa.

Annex, Manor Building and the Greyhound Bus Terminal, account for another $10.7 million.

Overall, as a result, Wards 1 and 2 between 1948 and 1960 produced a $63,207,420 increase in assessed valuations, representing about a fourth of the City's total gain during the 12-year period. Not only has the Downtown been revitalized and bulwarked, but the tax revenues derived from this fertile six-tenths of a square mile will have a major bearing on continuing the rebuilding program in other sections of Pittsburgh. The rebirth of the Triangle has strengthened immensely the whole fabric of the community.

It was in 1950, after the City Planning Commission had certified the whole Point area as blighted, that Mayor David L. Lawrence and the City Council approved the proposal whereby the Authority agreed to assemble the land and transfer it to the Equitable Life Assurance Society at acquisition cost, subject to land-use controls.

Since it acquired its first property, the Authority has proved itself an effective, versatile instrument for reclaiming 266 acres of Pittsburgh and restoring them to new economic and social usefulness.

The assessed valuation of the Gateway Center area prior to redevelopment was $6,845,074. Today's Equitable Life investment alone in Gateway Center is more than fifty million dollars. These stainless steel skyscrapers have increased by one million square feet the Triangle's rental office space. A new 16-story State Office Building and the western headquarters of the Bell Telephone Company of Pennsylvania are also in Gateway Center, on land purchased from the Equitable. And now the Hilton Hotels Corporation has just opened a splendid new hotel facing Point Park.

Urban Renewal and Land-Use Changes

A NUMBER of urban redevelopment projects have already been successfully carried out in the city without federal aid, and with the redevelopers financing all costs involved.[6] The Authority has functioned as a land assemblage agency and as a coordinator.

A seventy-million-dollar expansion of the facilities of the Jones & Laughlin Steel Corporation on the South Side was made possible through the redevelopment process, with the Authority assembling slum housing properties and J. & L. acting as the redeveloper. This new industrial district has added two million tons of steel to Pittsburgh's annual output.

[6] *Pittsburgh and Allegheny County—An Era of Progress and Accomplishment*, Allegheny Conference on Community Development, Pittsburgh, Pa., 1956.

In the Hazelwood section the Authority has undertaken another project for the Jones & Laughlin Steel Corporation, involving about 85 acres of blight, which is being converted into new plant and storage facilities. No federal or state grants-in-aid are involved in any of these projects.

The redevelopment of the Lower Hill,[7] immediately adjoining the Downtown district, is a colossal undertaking, now well advanced, which will require the combined efforts of local government and private enterprise and will involve the rebuilding of 95 blighted acres. Substantial federal loans and grants will be provided in this instance.

The new Civic Arena, an all-purpose auditorium overlooking the Triangle, is the cornerstone in the reconstruction of the Hill. This is one of the nation's most dramatic redevelopment projects and is being directed by the Authority. Its attainment will give new life to a dying section of the city and, in reality, extend the Golden Triangle by almost one-third.

In six of the seven areas—the exception being the Lower Hill—all of the costs of land assembly have been borne solely by private developers. It is estimated that private investment in the Authority's projects now totals $197,500,000 in lands and structures.

Land use is being radically changed.[8] Point State Park and Mellon Square are two of the notable additions to the planned open space in postwar Downtown Pittsburgh. Essentially, both are parks. They serve multiple purposes and have had a similar impact in upgrading surrounding real estate values.

Creation of the 36-acre Point Park by the state removed $4,136,435 from the taxable assessment side of the ledger. The park will be a historic shrine commemorating the birthplace of Pittsburgh and the opening of the Ohio River valley to English-speaking peoples. It is a dramatic setting for Gateway Center. Without the park, it is very doubtful that this magnificent office center would ever have been built in Pittsburgh to trigger the rebirth of the entire Downtown.

Since 1951, the Pittsburgh Parking Authority has created 5,078 parking spaces in Downtown Pittsburgh, boosting the total supply of off-street parking facilities in the Triangle to over 15,000. Except for guarantee of parking-meter funds to cover any possible losses (which have never occurred in the Authority's Downtown operations), not one cent of the city's funds has been used in the construction of the seven Authority garages.

[7] *Lower Hill Redevelopment Project*, Urban Redevelopment Authority of Pittsburgh, 1960.

[8] *Golden Triangle Study* (Preliminary Report on Existing Land Use), Pittsburgh Regional Planning Association (November, 1960), prepared for Pittsburgh City Planning Commission and the Golden Triangle Study Committee.

However, the garages—even though some are partially taxed—have resulted in a net loss of $5,791,717 in the valuations formerly taxed by the city.

Gateway Center is a new treatment of 23 acres of Downtown real estate, in which an open uncrowded building plan, with park-like atmosphere, replaces the characteristic full land coverage of the past. Street, highway and bridge changes are in process, creating new traffic patterns and new and broadened vistas. The program, without question, is producing a more handsome and more functional city. And in the immediate future it will include extensive redevelopment in both the North Side and East End sections of the city.[9]

How the Graded Tax Plan Assists Redevelopment

PITTSBURGH'S GRADED TAX PLAN is admirably fitted to the redevelopment program. It is the purpose of both to give the greatest possible encouragement and assistance to private enterprise in the construction field. The graded tax offers the incentive of substantially lower taxes for these great private improvement projects. The Redevelopment Authority, by the exercise of the power of eminent domain, makes large tracts of land available for rebuilding operations. The graded tax also assists in making land more readily available because the higher land tax has checked land speculation by making it unprofitable to hold valuable land out of use and thus tends either to reduce or to stabilize land prices.[10]

All of the larger buildings recently erected in the Downtown district are favored with substantial tax savings under the graded tax, notably the United States Steel, Alcoa, Porter, Manor, Remington-Rand and Gateway Center Buildings, the Hilton and Carlton House Hotels, the Bigelow Apartments, and the new Kaufmann Department Store addition; and in the industrial district, the expanded plants of the Jones & Laughlin Steel Corporation.

[9] *What You Should Know About East Liberty Renewal,* Urban Redevelopment Authority of Pittsburgh, 1960. *Allegheny Center,* Urban Redevelopment Authority, 1961. *Pittsburgh Press,* March 24, 1961, p. 2; "'The Allegheny Center project promises to become the nation's outstanding renewal program,' Mayor Joseph M. Barr told the gathering of nearly 800 persons at Carnegie Music Hall for a detailed briefing of plans drawn up after 30 months of study. About 62 acres of the 103 acres in the center of the North Side (formerly Allegheny City) would be acquired and rebuilt by the Authority. Some 518 structures housing 534 families would be purchased and razed. Scattered commercial uses within the Center would be regrouped into the 13-acre plaza. About 220 'town houses' would be built by private developers."

[10] The per capita assessed land value in 1914 was $863 and in 1960 was only $706. Based upon present market values of land, the actual per capita land value for the City of Pittsburgh as of 1960 is *estimated* to be $1,000, and it appears probable that the actual per capita land value in 1914 was also approximately $1,000.

So it will be seen that the graded tax played an important part in the original development of certain large outlying sections[11] of the city and is also playing a very considerable part in assisting the present rebuilding program.

Civic organizations, notably the Allegheny Conference on Community Development, deserve much credit for the great impetus recently given to the urban improvement project. But Mayor Lawrence, as the city's dynamic chief executive during the years that urban redevelopment was so successfully inaugurated, was the outstanding leader and constantly strove toward new and greater achievements in this field. The Mayor—later Governor of Pennsylvania—has long been a firm friend of the graded tax plan, and his most recent comment is of special interest:

> There is no doubt in my mind that the graded tax law has been a good thing for Pittsburgh. It has discouraged the holding of vacant land for speculation and provides an incentive for building improvements. In the distribution of the tax burden it is particularly beneficial to the home owners.
>
> Pittsburgh is now in the midst of a very extensive urban redevelopment program, and it is a matter of record that the owners of many of the fine office buildings, hotels, apartments and industrial plants that have been built in recent years are paying substantially lower taxes than they otherwise would pay because of the Pittsburgh tax plan which encourages all private improvements on real estate by the lower tax rate on buildings.
>
> The law is generally accepted in the community and there is no significant support for its repeal or modification; in fact many citizens believe that it should be extended and in 1951 the Pennsylvania Legislature enacted legislation giving our forty-seven third-class cities the option to adopt similar graded tax measures if the city council saw fit to do so.[12]

Today and Tomorrow in Pittsburgh

IT WILL BE APPARENT to the reader that some great changes have taken place in Pittsburgh in the half century that has elapsed since the tax reform movement began. And it seems clear that certain significant changes bear a direct relationship to the operation of the graded tax plan. But it is also true that conditions now prevailing in the city are in part

[11] The great increase in assessed building valuations in residential wards is an indication of the extent of land development in those areas since the adoption of the graded tax.

In the 14th ward, building valuations increased from \$21,033,250 in 1914 to \$86,402,190 in 1960, an increase of 310 per cent. In the 19th ward, building valuations increased from \$10,181,060 in 1914 to \$44,728,611 in 1960, an increase of 339 per cent.

[12] Quoted from a letter of Governor David L. Lawrence of Pennsylvania to Vernon Kilpatrick, Member of Assembly, California State Legislature, dated September 9, 1959.

due to changes that have transpired in civic, social and economic conditions generally.[13]

As is well known to students of urban problems, all of the older American cities are, to a greater or lesser degree, fighting for survival,[14] being confronted with problems of blight and decay, transportation and congestion, and especially with the universal trend to the decentralization of population, industry and trade, a state of affairs largely engendered by the revolutionary effects of this motor age.[15] As we have seen in discussing urban redevelopment, Pittsburgh has been confronted with such conditions and the problems incident to them which, among other things, directly affect land values in the central city.[16] But we have observed

[13] "Very few 100 per cent locations have held their position, and no residential district in any major American city maintained superiority for as long as thirty-five years." R. E. Erskine, "Shift in Value," *Appraisal Journal* (July, 1947), p. 387.

[14] "Cities, designed to bring people together for a better life, are rapidly succumbing to blight and decay.

"What about the future of the central business district? Declining values are not only threatening the heavy investments that have been made there, but are undermining the whole municipal financial structure as well. Is downtown doomed, or is it going to survive, and if so, in what form?" Wilfred Owen, *Cities in the Motor Age* (New York: Viking, 1959).

[15] "A long series of inventions have had their effects upon the value of land, but it appears those of the motor car have been more powerful than any others.

"The invention of the elevator built up real estate values in central districts. Buildings were going past twenty stories half a century ago.

"The automobile not only giveth value, but it also taketh away.

"By 1929, the end of the era of greatest exploitation, it was realized that not all owners could possibly recover a return upon the values at which their land was being held, even its tax values." John W. Love, *Cleveland Press*, November 12, 1954.

[16] In several wards of the city there have been remarkable decreases in assessed land values between 1914 and 1960:

1st ward, from \$67,630,330 to \$32,390,480, or a decrease of 52.10 per cent
2nd ward, from \$141,126,940 to \$121,419,699, or a decrease of 13.96 per cent
4th ward, from \$20,026,810 to \$17,228,638, or a decrease of 13.97 per cent
6th ward, from \$12,789,950 to \$9,756,666, or a decrease of 23.71 per cent
7th ward, from \$18,804,080 to \$15,017,278, or a decrease of 20.13 per cent
11th ward, from \$24,297,890 to \$17,763,665, or a decrease of 26.89 per cent
22nd ward, from \$20,306,220 to \$14,708,193, or a decrease of 27.56 per cent

Seventh National Conference on Assessment Administration, National Association of Assessing Officers (Chicago, Ill., 1940), C. T. McGavin, pp. 36–42: "The Urban Land Institute reports that decentralization is destroying values in central business districts. In most cities there has been a decided shift in modes of transportation from the mass carriers to the passenger automobile. Assessors report that increasing numbers of former building sites are being cleared for use as parking areas. The phenomenal increase in automobile ownership has been without precedent in the history of transportation.

"Several cities having increases in population have experienced *decreases* in the number of people entering the central district. These same cities have also witnessed the growth of branch stores, and they have had to reduce the assessed value of central business district property. In Pittsburgh, Mr. McNeil of the Traffic Planning Department reports that less people now enter the Golden Triangle than did ten years ago.

"Loss of purchasing power means loss to all the business establishments within the area, loss to property owners, and loss of taxable values to the city."

also that Pittsburgh is taking vigorous steps to rebuild and improve and that these steps are bearing fruit.

As our history has revealed, two hundred years have elapsed since Pittsburgh had its beginning, and the city may now be said to have reached its maturity. Elsewhere, particularly in the West, cities have annexed large areas of adjacent land, thus providing themselves with room to grow inside the municipal limits. But in the case of Pittsburgh, while the territory embraced in five city wards has been annexed since 1925, the total land area added to the city has been comparatively small since the annexation of the City of Allegheny in 1906.[17] Hence the explosion of population in the Pittsburgh district has necessarily been largely beyond the city limits and has occurred in all directions within a radius of at least fifty miles.

An observer will note a tremendous expansion of both private and public improvements in this period. The accessibility of outlying areas has been greatly facilitated by new bridges, tunnels through the hills, and parkways. While much of the city was still undeveloped in 1913, when the graded tax plan was adopted, now the 32 wards that make up the present city have been largely built up.[18] Yet there are some major private housing projects still in progress within the city[19] and there has been a great increase recently in the number and size of apartment buildings erected. As Pittsburgh is a city of many hills and valleys there will probably always be considerable areas on the steeper hillsides that will continue to be classified as "vacant," but only because they are undesirable for building purposes. And in the Downtown district there is no longer any unused land, since any sites not occupied by buildings or public parks are always utilized for much-needed parking lots.

It would be an exaggeration to say that Pittsburgh has solved all of its land problems, but the situation has greatly changed. Land speculation is no longer a major factor in Pittsburgh. Land monopoly has not been eliminated, but it is not now so conspicuous. Some of the largest

[17] Valuation of Land Annexed to City

28th ward	$4,671,232	31st ward	$2,304,970
29th ward	4,548,290	32nd ward	3,345,702
30th ward	1,594,005	Total	$16,464,199

[18] Building values for the entire city have increased 175 per cent since 1914; land values have decreased 12 per cent since 1914. The combined real estate valuation (land and buildings) has increased 57 per cent since 1914.

[19] Announcement has been made of a twenty-million-dollar private housing development known as East Hills, planned to provide both sales and rental housing for moderate-income families. It will include duplexes, single-family two-story town houses, walk-up and high-rise elevator apartments. The tentative ratio of sales to rental units will be 3 to 1.

landed estates, such as the Schenley estate, have been terminated.[20] Other estates, where formerly a building of palatial dimensions occupied a large tract of land, have been take over by developers who have erected apartments or groups of smaller dwellings.

As we look backward, we find that there was a phenomenal increase in the market value of land for commercial, industrial and residential purposes, not only in the early days referred to in our history, but also in the era of great industrial expansion and speculation between the years 1880 and 1930.[21] Consequently, Pittsburgh reached the peak of its high land values about 1929, just before the Great Depression began and caused a collapse of values throughout the United States.[22] Much of these values were, of course, recovered with the return of prosperity, but in the meanwhile other forces, particularly the flight to the suburbs, had come into operation.

[20] The Schenley estate had very extensive holdings in Pittsburgh and was the outstanding absentee landowner, the income going to Mrs. Schenley in England. From 1905 to 1932, this estate received the sum of $15,506,848, the average annual distribution to the Schenley heirs having been $553,812, or $1,517 for each day. In addition, the tenants paid all the taxes, the 5 per cent trustees' commission, and various other expenses, which amounted to thousands of dollars.

These data are compiled from various trust accounts filed in the office of the Register of Wills and of the Orphans' Court of Allegheny County, Pennsylvania.

Among the larger landowners in Pittsburgh are the Pennsylvania, the Baltimore & Ohio, and the Pittsburgh and Lake Erie railroads, the Jones & Laughlin Steel Corporation, the Mellon National Bank, Equitable Life Assurance Society, the University of Pittsburgh, and the United States Government. (The latter two owners are exempt by law from all real estate taxes.) Under special legislation, enacted in 1859, the City of Pittsburgh (unlike other Pennsylvania municipalities) exercises the right to tax all real estate of railroad companies with the exception of their rights-of-way, whether or not the property is used for railroad purposes.

[21] In 1880 the total value of taxable real estate in the City of Pittsburgh was slightly less than $100,000,000, or to be exact, $99,584,544. By 1900 assessed real estate values had gone up to $321,696,550—the values had more than trebled in twenty years. By 1910 Pittsburgh real estate values had grown to $748,803,575, or more than double that of ten years previous. However, it is important to note that the City of Allegheny (now Wards 21–27, inclusive, and containing over eight square miles) was annexed to the City of Pittsburgh during this decade. By 1920 the total real estate value had grown to $814,507,550, and by 1930 this total had reached $1,164,663,760.

Population of the City of Pittsburgh, 1880–1960, U. S. Census

1880	235,071*	1930	669,817
1890	343,904*	1940	671,659
1900	451,512*	1950	676,806
1910	533,905	1960	600,684
1920	588,343		

* These figures include the population of Allegheny City, which was not annexed to the City of Pittsburgh until 1906.

[22] "During the depression years our cities had a really dreadful time. The value of their land sank so low that it could not be sold at any price. That is not true at the present time, but the conditions which have brought about the change are, at best, temporary. The real solution for the blight has yet to be applied." Lawson Purdy, foreword, *The Self-Supporting City* (New York: Robert Schalkenbach Foundation, 1946).

The combined land tax rate in Pittsburgh (including county and school taxes) now exceeds 6 per cent, though the rate is based on valuations which are generally somewhat less than today's actual market value. It is fair to conclude that the much higher land taxes now imposed[23] have been a very real influence in checking land speculation and monopoly and in expediting the improvement of real estate. It is no longer profitable, with the present tax levy on land, to hold valuable land out of use for any considerable length of time.

Through the higher land tax, much of the unearned increment from land values enhanced by community growth and development has been appropriated for the benefit of the people as a whole, to pay for public services and public improvements. It will be seen that improvement values are growing rapidly, while land values have been stabilized.[24]

At a time when sensational increases in construction costs have occurred, the half rate of taxation on buildings has been even more beneficial than when building values were much lower and hence did not constitute such a large proportion of the tax base.

Pittsburgh's experience with the graded tax is felt by some observers to have already accomplished its principal purposes, primarily because of the success that has been achieved in developing and building up all sections of the city, much of which was undeveloped prior to 1914, and also because land has been made much more easily available to those desiring to use it. Therefore they regard the present law as adequate for the city's needs and are content to let it stand and continue to function for the benefit of the community. Conversely, there are some skeptical citizens, especially those who own valuable land that is not highly improved, who think that the taxes now imposed on land are far too high at a time when

[23] An examination of the ratio of building to land values in the various wards shows that there are nine wards which, as a whole, are "penalized" by the graded tax and 23 wards that are "benefited" by lower taxes under the graded tax plan than the taxes they would have been required to pay were the flat-rate tax system in effect. Five of the wards that are paying higher taxes now are located in the older area of the city lying between the two rivers—Wards 1, 2, 3, 6, 8, and 11. One, the 17th, is on the South Side, and the other two, the 21st and 22nd, are on the North Side. But the 21st ward is so close to the border line in ratios as to be virtually even.

[24] Statistics supplied by the Bureau of Building Inspection of the City of Pittsburgh are indicative of the volume of new building construction in recent years. An all-time record was reached in 1950, when the estimated cost of new buildings reported by builders was over 92 million dollars. The following selected figures give some indication of the rise and fall of new construction from time to time since the adoption of the graded tax:

1914	$18,194,672	1948	26,117,750
1926	43,790,103	1954	34,255,692
1933	2,520,251*	1960	40,939,981

* This extremely low figure reflected general economic conditions existing in the depth of the Great Depression.

there is little, if any, increase in land values to ease their burden. Such persons naturally oppose any move involving higher land taxes.

However, those who are keenly interested in the full application of land-value taxation would like to see much more progress along the same lines, considering it, as they do, essential to any adequate redevelopment program. With a dramatization of the issue, they see no good reason why the people of Pittsburgh should not welcome a complete transfer of taxes from improvements to land values.

Summary

SUMMARIZING, it appears clear from the evidence that Pittsburgh's unique tax scheme has indeed made a significant contribution toward producing a better and more prosperous city. It is not, of course, a very radical experiment in land-value taxation, so it is not possible to predict from past and present experience what far-reaching benefits might result if Pittsburgh were to go much farther in this direction than it has to date. It is possible that the present nationwide trend toward decentralization that is affecting all major cities might be arrested or reversed in this city if this incentive tax plan were to be given full rein, but this is something that cannot be definitely determined in advance. However, land-value taxation would seem to facilitate a more natural and logical development of all areas within the city limits.

It remains true that a great American city has pioneered by adopting the special taxation of land values, a city that is continuing to make notable progress under the operation of the graded tax plan. We have thus witnessed a demonstration of a principle of importance in the development of a more scientific system of municipal taxation.[25]

[25] Part of the research on which this study is based was made possible by a grant from the Robert Schalkenbach Foundation, administered by the University of Pittsburgh.

Appendix

TABLE I

CITY OF PITTSBURGH—MUNICIPAL TAX RATES, 1913—60

Year	*Land Rate*	*Building Rate*
1913	.0089	.0089
1914	.0094	.00846
1915	.0102	.00918
1916	.0126	.01088
1917	.0115	.0092
1918	.0145	.0116
1919	.0157	.01099
1920	.019	.0133
1921	.020	.0140
1922	.020	.0120
1923	.020	.0120
1924	.020	.0120
1925	.0195	.00975
1926	.0224	.0112
1927	.0224	.0112
1928	.025	.0125
1929	.025	.0125
1930	.026	.013
1931	.0255	.01275
1932	.0230	.0115
1933	.0206	.0103
1934	.0206	.0103
1935	.0206	.0103
1936	.0206	.0103
1937	.0206	.0103
1938	.0206	.0103
1939	.0206	.0103
1940	.023	.0115
1941	.023	.0115
1942	.0225	.01125
1943	.0225	.01125
1944	.025	.0125
1945	.025	.0125
1946	.028	.014
1947	.028	.014
1948	.028	.014
1949	.028	.014
1950	.028	.014
1951	.028	.014
1952	.033	.0165
1953	.032	.016
1954	.032	.016
1955	.032	.016
1956	.034	.017
1957	.033	.0165
1958	.033	.0165
1959	.037	.0185
1960	.037	.0185

TABLE II

ASSESSED VALUATION—LAND AND BUILDINGS—CITY OF PITTSBURGH

Year	*Land*	*Buildings*	*Total*
1914	$480,858,940	$282,069,870	$ 762,928,810
1915	480,191,010	290,833,300	771,024,310
1916	483,316,070	299,247,850	782,563,920
1917	482,149,040	310,793,800	792,942,840
1918	482,132,590	320,438,820	802,571,410
1919	480,131,130	325,889,600	806,020,730
1920	479,850,740	334,658,810	814,509,550
1921	480,461,700	349,386,420	829,848,120
1922	487,939,620	380,238,310	868,177,930
1923	532,688,420	396,176,380	928,864,800
1924	530,675,130	420,482,780	951,157,910
1925	547,475,280	441,354,840	988,830,120
1926	548,219,170	465,897,650	1,014,116,820
1927	554,616,950	505,396,600	1,060,013,550
1928	573,738,300	535,104,140	1,108,842,440
1929	574,589,080	562,017,070	1,136,606,150
1930	576,882,690	587,781,070	1,164,663,760
1931	590,968,170	617,201,910	1,208,170,080
1932	586,692,810	621,573,310	1,208,266,120
1933	586,380,100	625,257,730	1,211,637,830
1934	566,584,170	614,224,490	1,180,808,660
1935	562,365,560	609,719,210	1,172,084,770
1936	591,172,360	620,695,530*	1,211,867,890
1937	556,552,050	543,891,880**	1,100,143,930
1938	552,691,800	546,169,870	1,098,861,670
1939	551,239,420	547,532,170	1,098,771,590
1940	513,117,520	533,906,340	1,047,023,860
1941	504,089,300	532,013,980	1,036,103,280
1942	498,984,600	532,854,480	1,031,839,080
1943	471,359,772	572,650,892	1,044,010,664
1944	456,030,196	554,171,127	1,010,201,323
1945	430,707,673	549,619,688	980,327,361
1946	421,415,078	541,061,079	962,476,157
1947	419,182,075	542,280,329	961,462,404
1948	414,584,807	557,368,549	971,953,356
1949	413,682,935	567,399,829	981,082,764
1950	412,663,176	577,131,134	989,794,310
1951	412,528,625	605,357,129	1,017,885,754
1952	409,837,170	618,976,086	1,028,813,256
1953	414,326,522	650,846,910	1,065,173,432
1954	412,629,034	695,063,971	1,107,693,005
1955	411,613,575	701,224,268	1,112,837,843
1956	403,829,072	712,167,076	1,115,996,148
1957	407,382,041	723,109,910	1,130,491,951
1958	412,403,924	733,310,951	1,145,714,875
1959	405,182,700	744,505,304	1,149,688,004
1960	424,652,123	777,149,801	1,201,801,924

* Includes Public Utilities Valuations $41,019,540. ** Does not include same.

TABLE III

TAX SAVINGS, 1960
OFFICE BUILDINGS AND HOTELS

Property	*Flat Tax Rate*	*Graded Tax*	*Tax Savings*
United States Steel Building	$369,821.50	$308,376.87	$61,444.63
Gateway Centers Buildings 1-2-3	452,028.40	400,946.09	51,082.31
Alcoa Building	201,847.00	165,533.56	36,313.44
Gateway Center Building No. 4	183,080.25	150,708.77	32,371.48
Gulf Building	127,679.75	112,746.03	14,933.72
Grant Building	103,215.10	88,673.53	14,541.57
Koppers Building	117,210.00	102,558.08	14,651.92
Porter Building	84,300.00	73,482.00	10,818.00
Bell Telephone Company Building	117,205.00	95,704.20	21,500.80
Law and Finance Building	22,075.00	19,129.00	2,946.00
Investment Building	17,051.75	14,414.09	2,637.66
Union Bank Building	26,400.00	24,161.00	2,239.00
Remington-Rand Building	19,734.25	17,440.69	2,293.56
Commonwealth Building	25,533.37	24,184.50	1,348.87
Benedum-Trees Building	9,915.00	8,846.70	1,068.30
Hilton Hotel	173,338.75	146,455.25	26,883.50
Carleton House Hotel	116,852.25	105,765.00	11,087.25
Sherwyn Hotel	29,903.50	28,106.68	1,796.82
Pittsburgher Hotel	24,591.75	23,730.69	861.06
Fort Pitt Hotel	20,215.00	19,343.60	871.40

TABLE IV

TAX SAVINGS
MANUFACTURING PLANTS AND WAREHOUSES

Property	*Flat Tax Rate*	*Graded Tax*	*Tax Savings*
Jones & Laughlin Steel Corporation	$298,643.12	$272,008.64	$26,634.48
H. J. Heinz Company	166,426.75	135,088.30	31,338.45
Duquesne Brewing Company	58,487.00	45,702.22	12,784.78
Blaw-Knox Corporation	37,168.13	33,073.93	4,094.20
Rieck Dairy Company	30,717.88	26,560.36	4,157.52
Williams & Company, Inc.	23,786.93	14,785.02	9,001.91
Armstrong Cork Company	17,266.87	10,843.67	6,423.20
Joseph Horne Company Warehouse	32,217.50	26,183.05	6,034.45
Kroger Company Warehouse	28,566.25	25,516.13	3,050.12
Westinghouse Electric & Mfg. Co.	13,305.00	11,746.02	1,558.98
Federal Cold Storage Company	18,901.75	17,236.82	1,664.93
North Pole Ice Company	10,311.50	8,926.42	1,385.08
National Casket Company	11,797.25	10,537.41	1,259.84
Graybar Electric Company	10,119.00	9,138.63	980.37
Hubbard & Company	14,179.88	13,249.52	930.36
Galveston Corporation	8,232.50	7,340.80	891.70
Allis-Chalmers Company	23,343.75	22,824.37	519.38
Beatrice Foods Company	8,021.37	7,063.39	957.98
National Biscuit Company	2,049.50	1,878.86	170.64
Pittsburgh Tin Ware Mfg. Co.	2,231.25	2,017.42	213.83

TABLE V

TAX SAVINGS
APARTMENTS AND CLUBS

Property	*Flat Tax Rate*	*Graded Tax*	*Tax Savings*
Bigelow Apartments	$63,948.75	$54,642.52	$ 9,306.23
Park Plaza	56,159.38	45,136.30	11,023.08
University Square	31,474.42	25,306.22	6,168.20
Fairfax Apartments	22,875.00	18,315.00	4,560.00
Royal York Apartments	24,954.75	19,079.79	5,874.96
Noble Manor	35,014.75	30,904.25	4,110.50
Chatham Village	32,059.00	28,138.50	3,920.50
Park Mansions	17,615.00	14,962.80	2,652.20
Center Court Apartments	22,218.75	18,361.25	3,857.50
Negley Apartments	7,945.00	7,068.85	876.15
Royal Gardens	13,598.75	12,174.85	1,423.90
Fifth-Neville Apartments	9,523.70	8,026.13	1,497.57
Morewood-Fifth Apartments	15,776.25	14,311.60	1,464.65
Amberson Gardens	33,670.00	29,217.05	4,452.95
Royal Windsor Apartments	7,450.75	6,049.68	1,401.07
Ruskin Apartments	19,974.00	16,496.08	3,477.92
Forbes-Craig Apartments	8,468.00	6,691.82	1,776.18
University Club	13,728.00	11,973.94	1,754.06
Twentieth Century Club	7,696.26	6,154.95	1,541.31
King Edward Apartments	7,575.00	6,179.00	1,396.00

TABLE VI

TAX SAVINGS, 1960
HOMES

Property	*Ward*	*Flat Tax Rate*	*Graded Tax*	*Tax Savings*
1310 Beechwood Blvd.	(14)	$ 595.00	$ 529.10	$65.90
6865 Penham Place	(14)	427.50	371.85	55.65
5564 Aylesboro Ave.	(14)	1,927.00	1,871.46	55.54
1310 Inverness St.	(14)	618.75	573.50	42.25
510 Glen Arden Drive	(14)	375.00	333.00	42.00
1106 Goodman St.	(14)	237.50	181.30	56.20
450 S. Dallas Ave.	(14)	304.37	282.12	22.25
5558 Aylesboro Ave.	(14)	880.00	867.65	12.35
5529 Dunmoyle St.	(14)	366.37	357.23	9.14
5817 Wayne Road	(11)	355.00	331.15	23.85
904 Wellesley Road	(11)	225.00	203.50	21.50
4341 Andover Terrace	(5)	126.25	94.35	31.90
2535 Alliquippa St.	(5)	162.50	128.75	23.75
2051 Frankella Ave.	(13)	160.00	137.82	22.18
8357 Perchment St.	(13)	149.50	128.76	20.74
1313 Oakridge St.	(19)	117.50	98.05	19.45
535 Woodbourne Ave.	(19)	153.75	131.75	15.00
3009 Mt. Allister Road	(26)	201.00	169.83	31.17
109 Belplain St.	(29)	239.75	197.58	42.17
2005 Dowling Road	(29)	163.75	131.35	32.40

TABLE VII

BUSINESS PROPERTIES PAYING HIGHER TAXES
UNDER GRADED TAX, 1960

Property	*Graded Tax*	*Flat Rate Tax*	*Tax Increase*
200 Fifth Avenue	$30,210.50	$21,600.00	$8,610.50
212 Fifth Avenue	4,184.70	2,902.50	1,282.20
225 Fifth Avenue	5,920.00	3,894.00	2,026.00
226–28 Fifth Avenue	6,972.65	5,007.25	1,965.40
237–39 Fifth Avenue	7,252,00	5,112.50	2,139.50
256 Fifth Avenue	18,315.00	12,750.00	5,565.00
310 Fifth Avenue	29,674.00	21,807.50	7,866.50
319–21 Fifth Avenue	15,605.12	11,648.50	3,056.62
514 Grant Street	2,221.85	1,620.00	601.85
631 Smithfield Street	2,244.05	1,597.50	646.55
520–22 Wood Street	3,552.00	2,550.00	1,002.00
230–34 Diamond Street	5,476.00	3,950.00	1,526.00
311 Fourth Avenue	3,953.30	2,985.00	970.30
627 Liberty Avenue	3,071.00	2,200.00	871.00
901 Penn Avenue	2,294.00	1,800.00	494.00
3702 Forbes Avenue	940.72	688.12	252.60
5836–42 Forbes Avenue	1,726.60	1,341.62	384.98
6001 Penn Avenue	10,915.00	7,900.00	3,015.00
502 Federal Street	1,184.00	900.00	284.00
504–06 Federal Street	2,166.16	1,698.00	468.16

TABLE VIII

OTHER DOWNTOWN BUILDINGS HAVING TAX SAVINGS

Commonwealth Building
Plaza Building
Jones Law Building
Manor Building
Century Building
Bessemer Building
House Building

OTHER DOWNTOWN BUILDINGS HAVING GREATER BUILDING VALUE

Penn-Sheraton Hotel
Federal Reserve Bank Building
Oliver Building
Keenan Building
Frick Building
Clark Building
Gimbels Store
Joseph Horne Company Store
First National Bank Building
Commerce Building
Keystone Building
Empire Building
Peoples Bank Building
Berger Building
Stanley Theatre
Roosevelt Hotel
Harris Theatre
McCann Store Building

(Above properties show no net tax savings, but higher land taxes are largely offset by lower building taxes on major portion of the real estate assessment.)

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