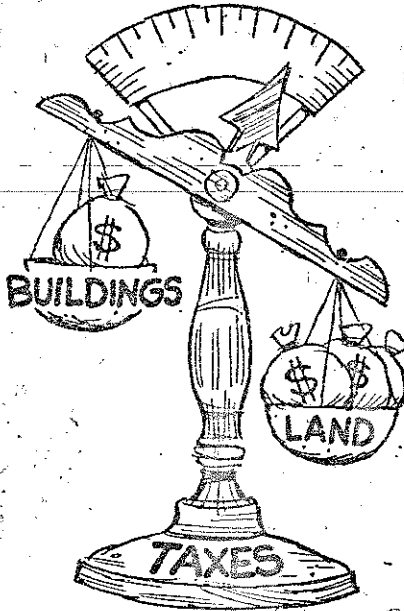


Mailbag



St. Louis needs Site Value Charge

Your Aug. 9 "Travel" article acclaiming Pittsburgh's renaissance was terrific. But why is Pittsburgh the glittering metropolis? From whence cometh its "Golden Triangle?" Why is it growing, progressing and prospering, — despite the decline of its steel industry — while other cities like St. Louis sink into the mire of rot and decay?

The answer lies in Pittsburgh's use of the Site Value Charge system to raise public revenues.

The Site Value Charge system places a higher charge on location values with lower taxes on buildings and improvements. Thus Pittsburghers find it expedient and profitable to put locations they own to maximum use by erecting new buildings and improving old ones.

Those who own land in Pittsburgh find it very expensive to hold their locations out of use or underuse them. At the same time, lower taxes on buildings and improvements motivates developers to erect new buildings and improve old ones.

The Pittsburgh "two-rate tax" (now almost six times lower on buildings and improvements than on locations) makes progress not only predictable, but inevitable. Five other Pennsylvania cities — Scranton, Harrisburg, McKeesport, New Castle and Washington — have adopted the Site Value Charge system. All now enjoy the same upward progress as Pittsburgh. Just a coincidence? Not on your life. Just sound and prudent public revenue economics.

The tragic deterioration of our beloved St. Louis (now with only half the 850,000 population it enjoyed when I grew up here) could be reversed by the city's adoption of the Site Value Charge to replace our present real property system of taxing land values and building values at the same rate. But our present Missouri Constitution won't permit this.

The state Constitution requires the same tax rate on buildings as on locations, thus producing our economic chaos because land taxes and buildings taxes produce diametrically opposite results. A heavy charge (tax) on valuable land motivates its title-holder to use it to maximum productivity, thus generating wealth and creating jobs. A heavy charge (tax) on buildings reduces incentives to erect buildings, and thus thwarts the creation of the jobs inherent in the erection of new buildings or the renovation of old ones.

Tax abatement provides great incentive to build new structures. In fact, hardly a significant building in St. Louis has gone up during the past 25 years that is not tax-abated. But tax abatement is an "exception" under our Constitution. Thus, we live under a real property tax system "by exception" rather than by law.

Certainly tax abatement is needed. But instead of being an exception available only to a few select developers and builders, it should be the basic requirement in our Constitution available to all, not for just a limited period but permanently.

A Constitutional amendment permitting (not mandating) a higher tax rate on locations than on buildings would produce great benefits to those cities that, under local option, chose the Site Value concept. St. Louis, for example, could join Pittsburgh and other cities at the "great cities" level.

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