

INTRODUCTION

This paper is a direct reply to testimony presented by downtown business interests on February 1, 1983. My hope is to deal clearly and carefully with each of the issues raised in that testimony.

Our policy to find ways to make the land tax as palatable as possible to those who would pay more under a land tax shift. We recognize that real progress is likely to be attained only when all sides participate in open and honest discussion. I intend to be fair and considerate of both the real estate interests and the merchants.

I hope that council will recognize that the opponents of the land tax have legitimate concerns that can be addressed without abandoning the land tax reform. As people who have been paying more under a land tax shift, they deserve our consideration.

Mr. Kahn, especially, expressed the concerns of merchants quite well. He pointed out that business had been off and that merchant properties pay more with a land tax. He also pointed out that Pittsburgh had recently increased other business taxes substantially. He did not deny that land tax would lead to growth or that this growth would ultimately offset the tax burden placed on business by the land tax. He simply pointed out that retailers downtown might not survive these taxes long enough to enjoy these eventual benefits.

Mr. Kahn's requests were that the total tax burden on merchants and businesses not be increased, and that policies be undertaken to insure adequate parking for downtown shoppers and visitors.

Perhaps because they were introduced as experts rather than as representatives of legitimate interest groups, real estate agents offered opinions on what the effects of the land tax would be on the whole city, rather than stating their personal concerns. This is unfortunate, partly because they have little understanding of how this unusual tax affects the economy, but mostly because their own interests were never expressed.

Because we have discussed land tax with realtors for decades, we have some idea of how realtors see land tax affecting them. Below are some typical concerns that I think are shared by Pittsburgh realtors:

1. That the city's growth will fail to compensate for the increased tax burden on the realtors.
2. That they will be forced to sell or develop land at a time when the market is not what they think it should be.
3. That businesses in valuable locations will be unable to adjust to land tax increases, and might go bankrupt or otherwise break their leases.

4. That poor assessments will cause some realtors to pay too high a share of the land tax burden.
5. That if land tax increases too fast it could cause a panic among real estate investors that would drastically reduce the selling price of land.

Unfortunately, instead of presenting these legitimate concerns, the realtors presented a barrage of arguments that, when the land tax is calmly examined, prove themselves to be groundless. So, before we can attempt to accommodate what I think are valid concerns, we must first deal with these false assertions.

ARGUMENTS PRESENTED AGAINST THE LAND TAX

That land tax does not benefit homeowners

Some charges made by opponents of the land tax are patently false. One is that land tax does not benefit homeowners.

Study after study has shown that most home owners have smaller total tax bills under land tax. Not only the studies we made, but studies by Bill Coyne and studies conducted by City Information Systems personnel have all shown savings for the homeowner.

Statements made by some real estate interests on this issue show how these people confuse their own interests with the public interest. Mr. Kay of the Building Owners and Managers Association referred to a vacant house in the hill district owned by five brothers and sisters who inherited it but who do not live there. This shows clearly that Mr. Kay has missed the point. When we talk of helping the homeowner, we are talking of the owner-occupant. People who hold property they do not live in merit our consideration only if they maintain their property for the benefit of others. It is NOT the intention of land tax-advocates to make it easier for people like Mr. Kay's friends to hang onto vacant slum dwellings.

Mr. Kay also talked of properties in Point Breeze owned by "clients" of residential realtors. Once again, he was talking about people who are not owner-occupants and who have real estate agents managing their properties.

It is true, and we have been forthright in stating this from the beginning, that there are neighborhoods where a large number of owner-occupants pay more. Like Point Breeze, they are usually richer neighborhoods. They are also usually neighborhoods where the owner-occupants have largely been displaced by real estate investors. Many of the owner-occupants in such neighborhoods sublet parts of their homes to tenants, and collect profitable rents.

It is the desirability of living in places like Point Breeze and Shadyside that creates high land values there; these in turn make it possible to set higher rents. Often a simple room in a prime neighborhood will command more rent than an entire apartment in a stagnant neighborhood. Now that the busway makes Point Breeze and Shadyside conveniently accessible to downtown jobs, the advantages for property owners in these neighborhoods are greater than ever. We are not the least bit unhappy that our tax reform benefits homeowners in these rich neighborhoods far less than it benefits homeowners in poor and working-class neighborhoods. In fact, we regard it to be one of the finest attributes of the land tax that it primarily benefits neighborhoods that have been otherwise neglected by the city.

Despite the exceptions, grading the property tax saves money for 80% of the homeowners in Pittsburgh; their total savings is substantial.

That land tax does not generate development

Again, the facts clearly show that this charge is false. Not only Pittsburgh, but all five land-taxing cities in Pennsylvania have experienced an increase in construction after introducing land value tax. And in Australia, where 90% of the municipalities have switched from property tax to pure land tax, there has consistently been increases in construction following the shift.

There comes a time when opponents of land tax have to stop yelling "coincidence" and recognize this consistent pattern. These charges by real estate interests remind me of a statement by Macaulay--that if there were an important vested interest in denying gravity, the most obvious facts would be disputed.

Councilman Givens pointed out early in the hearings that, "I think if you would ask PPG, US Steel, the Dravo Building, etc. if our taxation of land vs. buildings...had anything to do with them building their particular building downtown, the answer to that would be 'no.'"

This perspective focuses only on the people who want to build. To understand the power of the land tax it is necessary to focus on people who own land where others want to build. Mr. Kay pointed out that Rockwell had wanted to build a 90-story office building on Fifth Avenue between Smithfield and Wood Streets. The main reason given by Mr. Kay for Rockwell's abandoning the idea was that they were unable to acquire the land--that the owners, who were paying lower land taxes at that time, refused to sell.

Mr. Kay thought he was arguing against the land tax when he said this, but he really made our point! A building that might have led to thousands of jobs in this city was not built when the

land tax was low, because landowners refused to sell. If we still had a low land tax, who knows how much trouble the builders of Renaissance II might have had acquiring land.

FFG also tried to assemble land before the land tax increases. They ran into problems and had to invoke eminent domain. A long and bitter battle ensued. Since that time, however, Pittsburgh developers have had a much easier time acquiring land, as speculators have been more willing to sell and thereby avoid land taxes. So even if the developers were oblivious to their own tax burden, the shift to a land tax would still lead to development.

Edward DeLuca, former director of development for the city, stated that, after the land tax was increased, owners of underdeveloped commercial properties called on him. They said that they were looking for developers because their land taxes had been increased.

So, even if the developers did not care about the land tax, the speculators they have to deal with do care. Building without acquiring land is obviously impossible, so the question of whether speculators are willing to sell is extremely important. Mr. Geiser, representing Equitable Life and their Gateway Center Holdings, admitted that they would not have been able to build without using eminent domain to acquire that land.

But, in fact, developers do consider taxes when they build. Mr. Geiser himself stated that, "we developed [because] the economic reasons were there. It was the tax, or lack of tax...."

Mr. Geiser went on to deny that the land tax has any impact, apparently forgetting what he had just said. Then he turned around again and said that, if the land tax continued to rise, Equitable might try to get permission to build another skyscraper in Gateway Center.

The litany of self-contradictions continued on this point. Mr. Arnheim of Arnheim & Neely Real Estate stated, "I don't really believe that the allocation of taxes between land and buildings have any impact on the development of the land." Yet he also claimed that the land tax "discourages preservation of historic buildings by [promoting] newer, high-density development."

Mr. Baskin's self-contradiction is short and sweet. "People do things for economic reasons. Taxation is not one of them." If taxation is not an economic reason for allowing land to be developed, what is? There is no other economic cost for holding undeveloped land than the taxes on that land.

Mr. Arnheim also stated that there is no longer any underdeveloped land in Pittsburgh. I submit that there is. Certainly we have less blight and fewer slums than other old cities that have not had land tax to help them. But we do have

residential, commercial and industrial blight in this city.

When FPG built their skyscraper, they bought blighted properties managed by Arnheim & Neely. When Station Square was built, taxpayers helped buy blighted properties managed by Arnheim & Neely. Today Arnheim & Neely manage underdeveloped properties along Fifth Avenue downtown and in other places in the city. At the corner of Fifth and Diamond they manage a \$4,000 building sitting on a \$200,000 piece of land.

Mr. Baskin stated that "there isn't any land available downtown...in Oakland...in East Liberty or Squirrel Hill. Those are the areas of your major concern where you are going to set your tax money." But he seems to have overlooked that:

1) Downtown, there's Liberty Avenue, the Boulevard of the Allies, the Strip District, and Eighth, Ninth and Tenth Streets.

2) In Oakland, where most of the homeowners save, most of the "student rental barons" pay more. Certainly the ramshackle houses on the Boulevard of the Allies, which are operated by Gold Realty, could be replaced by either apartments or businesses to the benefit of the public. Also, the blighted land on Fifth and Forbes Avenues between Craft Avenue and the Brady Street Bridge are on a main bus corridor and would be an ideal location for housing for apartments for both students and city employees.

3) East Liberty has vacant lots and old empty buildings both inside and outside Penn Circle, and especially along Fifth Avenue beyond Penn Avenue. The new busway could invigorate this community, but only if the landowners cooperate.

4) Squirrel Hill has the largest tract of vacant land in the city. It is the Duquesne Slag dump, and it runs behind some truly prime residential property between Brown's Hill Road, Beechwood Boulevard, and Mount Royal Road. It is capable of supporting substantial buildings. In fact, Century Three Mall was built on another dump owned by Duquesne Slag.

Councilman Stone called Mr. Baskin's attention to blighted sections in Hazelwood, South Side, West End, Northside, and along Smallman Street. Mr. Baskin replied that "you are not going to force anyone to build in Hazelwood or along Smallman Street unless they can figure out an economic use for that property."

But a different story appeared in the December 13 Post Gazette. The newspaper reported that "Joe Dusan, President of the Fifteenth Ward Chamber of Commerce, says absentee landlords are one reason for deterioration of the [Hazelwood commercial] buildings in the first place."

According to the article, the Urban Redevelopment Authority plans to spend \$300,000 on a program to rehabilitate Hazelwood at the taxpayer's expense. They intend to build walls in front of unsightly vacant lots, replace sidewalks, and fix the facades of vacant, deteriorated buildings--things that Hazelwood's more responsible landowners have done for themselves.

The Post Gazette also stated that "Dorothy Bellas, of Community Action Pittsburgh in Hazelwood, wrote to about 25 building owners last year asking them to meet to discuss upgrading their properties. None replied." This is not the attitude of landowners who would improve their property if they could "figure out an economic use." This is the cold scorn of blatant speculators who show little respect for the people of Hazelwood and refuse to even answer letters from community leaders.

A different story emerges on Smallman Street as well. The Buncher corporation now holds about 37 acres of vacant land there--an area about as large as Gateway Center. Some of it is used for parking, but most of it is not used at all. It was assembled mostly over the past 15 years, and I am confident the owners have a "more economic use" in mind, for they have invested heavily in acquiring that property.

I do not want to paint all landowners with one brush, nor do I think there we have the right to expect realtors to choose the most responsible path over the most profitable path. But the position that land tax does not encourage development is an unwarranted position, and illustrates the narrow perspective on which many of the anti-land-tax statements were based.

That land tax will cause too much development

While arguing that land tax does not lead to increased development, Mr. Arnheim and others made the contradictory claim that land tax would cause too much development. Arnheim painted pictures of homes being torn down in low-density residential neighborhoods to be replaced by high-rise buildings, and downtown being filled with empty skyscrapers.

It is hard to understand why homes in residential neighborhoods would be torn down when most of these homes save money with the land tax. The most desirable locations for high-rise buildings are in areas that are already high-density. The usual reason for building in low-density neighborhoods is that land in prime locations is too difficult to acquire. Land tax would actually reduce this problem.

A close examination of land and building values for particular properties clearly shows that the most dilapidated old structures in prime locations will be the first candidates for redevelopment, and the viable housing and business properties in stable neighborhoods will be far less likely to be disturbed.

The other claim I cannot understand is that people would build expensive buildings that could not be filled just because there is less tax on buildings. The idea that gradually shifting to land tax, as city council has been doing, would cause landowners to build useless and unprofitable buildings doesn't make sense.

Mr. Arnheim's testimony implied that we have too much development already. Although he no doubt sang a different tune when tax money was being spent to subsidize developments like Station Square, Arnheim's statement in regard to development due to land tax was that "Pittsburgh needs another high-rise like it needs a repeat of the last major flood."

Another high-rise office building might not be good for Mr. Arnheim, for he can get better rents from his older buildings if there is a shortage of office space in newer buildings. But to the area's unemployed, the erection of an office building is a commitment to bring jobs into the city.

The relationship between office space and jobs is well recognized. Pittsburgh's public schools have the largest computerized system for high school students in the United States. Our high school graduates will be prepared to enter the largest area of new jobs during the coming decade, business data and word processing--in office buildings.

Development also means apartments and condominiums and even facilities for merchants. A large part of Oxford Plaza and almost all of Station Square is dedicated to retail trade, and both of these properties save with the land tax.

Development even means steel mills. In 1978, when the land tax was being considered for its first increase in over fifty years, one of the largest increases was to go to Jones & Laughlin Steel. J&L had vast tracts of land and old, dilapidated buildings. All indications were that J&L was milking the property dry and planning to shut it down, as other area mills are doing.

Since that time, J&L has sold off a large part of the land it did not have uses for, and has recommitted itself to making steel. They now pay only \$80,000 a year over what they would have paid with a straight property tax. Recently, J&L sold its base lines and pledged to invest the proceeds in upgrading its steelmaking operation. If they invest in upgrading their Pittsburgh facilities, land tax will save them money. For Pittsburghers it would mean more job opportunities, not only in basic steel but in fabricating and other industries that tend to develop around steel mills.

Certainly the wrong kind of development can be a problem for any city. The erection of high-rise buildings in low-rise neighborhoods, or the conversion of natural areas (like Seldom Seen) for development should not be allowed to proceed without

careful study. But the kind of development encouraged by the land tax is development roughly proportional to land values-- high-rise developments on prime land and smaller developments on less valuable land. That's the kind of development Pittsburgh needs.

That land tax discriminates against small property owners.

This charge is fundamentally false, but it is brought up over and over by land tax opponents who would have it believed that Pittsburgh's prime land is owned by poor people.

Even in 1911, when the land tax was first introduced, agents for the city's largest landowners argued that "unimproved landowners are the poorest of property owners," and only "the money-powerful skyscraper barons" would benefit. Land tax does tend to save money for new buildings that represent a major investment in the city and that will take years to pay for themselves. At the same time, it generally costs more for buildings that were built long ago and which paid for themselves many times over. But there is no reason to believe that new, mortgaged buildings are owned by richer people than old buildings that are owned free and clear. Ironically, many of the big new buildings in 1911 that saved under the land tax for fifty years are now among the small old buildings that, according to today's land tax opponents, are being discriminated against.

Much was made of the fact that buildings under ten stories in the Golden Triangle pay more under a land tax than under a property tax. But outside the Golden Triangle, smaller buildings often save money. The office building that houses Warner Cable is only two stories and barely outside the Golden Triangle, yet it saves a substantial amount under the land tax.

Arguing that land tax is anti-small-buildings in the Golden Triangle is like arguing that Pittsburgh is against amateur sports because Three Rivers Stadium is reserved for the Pirates and Steelers. The hard truth is that the land of Golden Triangle is so valuable that it is no longer an appropriate place to build little buildings. (After all, it isn't called "the Golden Triangle" for nothing.)

On the other hand, a small developer can save substantially with the land tax by building an appropriate building anywhere else in the city.

Another false assumption is that small properties are owned by "small property owners." The smallest new building I know of in the Golden Triangle is the McDonald's at the corner of Forbes and Stanwix. You could call McDonalds Corporation a small property owner in that it does own small properties, but it owns thousands of such properties across the country. Some of Pittsburgh's largest landowners own many small properties.

The purpose of land tax is not to get more money from

McDonald's or from other big landowners of small properties. We simply want intelligent land use in Pittsburgh. A new, one-story McDonald's in the Gateway Center area simply is not a good use of prime land space.

If an owner of a number of dilapidated and obsolete properties in Pittsburgh were to sell most of them, he would be able to build good buildings on the remaining ones, and it would save under a land tax. Businesses like McDonald's could locate on the first floor. This way, other developers who want to build buildings downtown would have those eight properties available to them. The result would be good for the entire city.

The argument that land tax hurts the small business is also based on comparisons only between land tax and building tax, but land tax is an alternative to other taxes as well. When land tax was introduced in 1978, it was as an alternative to the wage tax and to a variety of business taxes. Passing the land tax at that time meant savings for wage earners and for most small businesses. Anyone concerned about the plight of small business owners could urge that business taxes also be replaced by land tax.

A calm appraisal of the whole picture shows that land value tax is a very progressive tax, both in Pittsburgh and across the country. Land tax is portrayed as a regressive tax by using only building tax for comparison, by focusing on only the 1% of Pittsburgh's land that is appropriate for skyscrapers and by making the false assumption that most of the small downtown properties all have separate owners.

That land tax will lead to abandonment of land

Land is taxed according to its market value, or what it can be sold for. People do not abandon land that they can sell, and the land that pays high land taxes does so because it is so saleable. Land that cannot be sold does not have to pay much land tax anyhow.

The charge that land tax would lead to abandonment was made by Mr. Kay in reference to that vacant house in the Hill District owned by five heirs. From Mr. Kay's description, it seems the property had already been abandoned for all practical purposes. The only thing that had not been abandoned is the deed. If land tax will lead to abandonment of the deed as well, someone else could be given a chance to do something useful with the property.

It is possible, if Pittsburgh had gone suddenly from straight property tax to straight land tax, as Australian municipalities have done, that some people would be unprepared to deal with the change. But even in Australia, the incidence of property abandonment is lower in land taxing cities than in property taxing cities.

The way to keep property from being abandoned is to keep neighborhoods from being allowed to run down to the point that they become problems, and to collect on delinquent taxes before they exceed the value of the property. Land tax helps with the first of these objectives, and the city treasurer's office under this administration has been doing a good job with the second.

That land tax will lead to higher land prices

Once again we have a set of contradictory statements from land tax opponents. How can land tax make owners hold out for higher prices and think about abandoning their land at the same time? Mr. Baskin claimed that that is what will happen, although he made no attempt to support this claim.

A new builder might offer higher prices, since his total property taxes will be lower in most instances. But the higher taxes on an underdeveloped parcel will make the owner more willing to sell, and if he can't get a higher price he will have to accept a lower price or keep paying the tax.

This is precisely what real estate investors are afraid of. To the real estate investor, high prices for the land they own mean big profits. Low prices mean smaller profits or even losses. But for the city, high prices mean stagnation. Affordable prices mean land will be bought and put to use.

That land tax will lead to fewer apartment buildings

This assertion made by Mr. Baskin was derived from his other unsupported assertion that land tax would lead to higher land prices. Mr. Baskin also overlooked the fact that most apartment buildings in this city save more than any other type of building except some of the newer office buildings.

If it is true, as Mr. Givens pointed out, that apartment owners are losing money, then that is an even greater reason to shift from property tax to land tax. Mr. Arnheim also claimed that building apartment buildings was unprofitable in Pittsburgh. Mr. Baskin agreed with Michelle Madoff that "there are a lot of places going empty that are available for rent but that people can't afford [to rent] them." Mr. Baskin also pointed out that the apartment vacancy rate was only one percent (1%) three or four years ago, but is well over five percent (5%) today.

Census data indicates that, although residential construction has decreased in Pittsburgh, the city is doing better in this regard than the suburbs, better than the state, and better than other northeastern cities.

High vacancy rates mean simply that apartment owners are asking for more money than the tenant is willing to pay, or that tenants are leaving the city. If a landlord tells you that he is leaving an apartment empty because he cannot afford to rent it

for less, the truth is that he is expecting to get his full rent soon. After all, it costs almost as much to maintain an empty apartment that draws no rent as an occupied one that draws somewhat less than the landowner is hoping for.

The tax with the greatest influence on renters is the wage tax. A friend of mine making \$18,000 a year told me that he is looking for an apartment in the suburbs. He is willing to pay higher rents to get the advantages of the city, but does not like also having to pay \$697 per year in wage taxes. He pays \$517 less in most suburbs.

If the city replaces the building tax and some of the wage tax with land tax, apartment owners and tenants alike would have lower tax expenses. That's probably the best incentive for building apartments short of free bricks.

That land tax will lead to illegal conversions of older residential buildings

This statement was made by Mr. Arnheim, but was never supported or elaborated on. There may be some truth to the charge in isolated instances. For example, in a high value area where there is a big demand for apartment space, the owner of an old building might be tempted to illegally subdivide in order to raise more money. However, most older buildings are in old neighborhoods where the land values are proportionately low.

The real cause of illegal conversions is the shortage of housing. Landlords do not subdivide unless they can find tenants desperate enough to live in their illegally small conversions. If there is a surplus of legal and suitable residential space, there will not be as many illegal subdivisions.

Logic and experience indicate that land tax does increase the construction of residential property, which would alleviate the pressure for illegal conversions. While we would not guarantee a substantial decrease in illegal conversions, we see no reason to expect an increase.

That land tax will lead to increased zoning appeals

It may very well be that land tax will lead to increased appeals, as suggested by Mr. Geiser. The solution as we see it is not to shrink back from the land tax, but to deal with zoning problems in a forthright manner. Good zoning laws should be upheld. Bad zoning laws should be amended. If land tax leads to better zoning, that can only be a plus. It can only be a minus if the zoning board allows itself to be intimidated and allows appeals to be improperly granted.

There are some problems with zoning in Pittsburgh that are more acutely felt when landowners are taxed on land they are prohibited from building on. In my own opinion, the zoning laws are frequently wrong and should be changed.

In cases where the zoning laws need to be upheld, land value assessments should be revised downward. After all, land that one is prohibited from building on should be assessed lower than land that has been or can be fully developed.

I do not want to get into specific examples at this time, but I would be happy to discuss this matter in detail with appropriate city officials and responsible realtors.

That land tax discourages preservation of historic buildings

Mr. Arnheim charged that land tax "discourages preservation of historical buildings by the very premise that it encourages the replacement of buildings by newer high density development."

This is a very interesting statement. What it says, in essence, is: 1. that land tax encourages development; and 2. that encouraging development discourages preservation of historic buildings.

A more accurate statement is that development discourages preservation of old and obsolete buildings. Some of these old buildings are historically significant, but most are not. There are sound ways of financing the preservation of historical landmarks without halting development. Keeping land taxes low for all old and underdeveloped properties is not a good way of doing this.

Mr. Arnheim selects Market Square as an example. It is a good example, too. Fifteen years ago, there were high hopes for the Market Square area. Good clubs and restaurants, like Walt Harper's Attic, were making the square a potential night spot.

Since that time, land taxes had substantially decreased in terms of real dollars. But what was happening to the square? The nightclubs are gone. The New China Inn is gone. There are now massage parlors, cheap food vendors, an airline ticket agency in a flimsy building, etc. The dream of a great Market Square has been in serious trouble for years.

If you talk to the people who were directly involved in trying to make Market Square a live entertainment center, they will complain not about the land tax, but about the amusement tax.

There are a number of ways to help make market square a success, from abolishing the amusement tax to buying the properties and leasing space to suitable tenants. But as long as the landowners themselves do not invest in improving their properties, and as long as they charge whatever the market will bear to whoever can pay the best price, giving wholesale tax breaks to the landowners will not do the job.

That land tax will drive investment to the suburbs

Mr. Leslie Perrin of the Joseph Horne Company suggested that, "the proposed hike in the land tax, without significant offsetting reductions in the building tax, can only serve to induce us to put more of our investments into outlying districts, at the expense of further investment in downtown plant and equipment." Mr. Baskin's threat was less well veiled than Mr. Perrin's. "I have my business here in the city; I can very easily have my business in the suburb."

Now what good would that do? It's as if they were telling council, "You'd better be nice to us or we're going to take our land and leave."

Mr. Perrin's suggestion that he would put more of their investments in the suburbs especially needs to be challenged. I know of no investment whatsoever made by the three major department stores in Pittsburgh since the building of the original stores, except for expansions that took place many decades ago.

For all the years that these stores were making big profits and paying relatively low taxes, where is the reinvestment in Pittsburgh? If they only had joined in the building of an Oxford Plaza like they joined in the building of so many of the suburban malls, they too might be saving with a land tax.

I do not want to be too hard on Mr. Perrin, for most of his testimony was valid, and I believe the merchants have expressed legitimate concerns that should be examined by council. This charge, however, is more evidence that the people testifying do not understand the economics of the land tax.

That land tax fails to tax suburban workers

Mr. Arnheim asked, "How does the land tax tax suburbanites when probably the majority of the land is owned by either Pittsburghers or corporations outside of Pittsburgh and really doesn't hit the individual who is working downtown?"

In this case, Mr. Arnheim is correct about the impact of the land tax. It does not tax suburbanites who are working downtown. I believe he misses the true purpose of council's desire to tax suburbanites, though.

The purpose is to tax people who benefit from city services but, because they are not residents, do not contribute to the earned income tax. The fact that a landowner does not come into the city, but simply has an agent send him a monthly check, does not mean he does benefit from city services.

Suburbanites coming into the city to work, shop and conduct business is what makes downtown land so valuable in the first place. Also, services which make downtown land more accessible to suburbanites directly increase land values. Studies by

congressional assistant Walter Rybeck, who now works for Congressman William Coyne, indicate that land values in areas served by a subway, for example, increase by more than half the cost of building the subway.

I believe that council members do not want to tax workers at all, and would have abolished the city wage tax if the city were not so desperate for funds.

The point is that the city spends money to make downtown a suitable place for so many people to work, shop and conduct business, because city leaders want people to come to Pittsburgh to do these things. Somebody has to pay for the services that make it all possible.

Taxing the people who work and shop discourages working and shopping. Philadelphia is all too aware of the businesses that have located outside the city since they enacted a commuter wage tax. It is clear from everything the mayor and council have said and done that they want the city's services to be used, not to be provided for only partial use.

Owners of commercial land are in a natural partnership with people who work and shop in Pittsburgh. Without their land, there could be no working and no shopping. Without the workers and shoppers, there would be far less value in their land holdings. Whether we tax workers, shoppers and active businesses, or whether we tax land, Pittsburgh will collect revenue from people who mutually benefit from city services. If the former is taxed, properties that make use of city services generate the most taxes. But if land is taxed, properties will pay according to what their locations in the city are worth. This method is fairer to active landowners and better for the economic vitality of the city.

That land tax discourages parking.

Where land is far too valuable to be wasted on open parking lots, land tax does, in fact, discourage parking lots. It does not, however, discourage parking garages. Under a land tax, a one-acre, five-tier garage pays only one fifth as much land tax as five acres of open lots. It is also quite possible to build an office building over a parking lot or parking garage, as Chatham Center has been built. Land tax doesn't mean there will be less parking. It only means parking will take up less space.

In areas where the benefits of open parking are worth paying for, either the customer or the merchant will pay for parking. I can think of places in the city where vacant properties are held totally out of use while neighboring businesses suffer from lack of parking. Taxing these properties might generate more parking, not less.

The tax that really discriminates against parking is, of course, the parking tax. We testified against raising the

parking tax from 20% to 25%, and I notice that none of the real estate agents who say they are worried about the effect of land tax on parking had said anything about the parking tax increase itself. Mr. Kahn is the only person who spoke about the land tax's effect on parking who also spoke about the parking tax.

I don't think parking lots are a particularly good use of prime urban land, but if there were a motion on council to replace some of the parking tax with land tax, I would be among the first to support it. I suspect that these realtors would be among the first to oppose it.

That land tax would cause loss of revenue from other tax bases.

The theory behind this claim is that by converting parking lots into buildings, we would create a shortage of parking, which would lead to less customers for merchants. This in turn would lead to less mercantile tax, and, because the merchants would lay off employees, less wage tax.

If we did convert parking lots into buildings, somebody would have to work in the buildings, so wage tax revenues would naturally increase, not decrease. For that matter, so would business for downtown merchants. It is widely known that most downtown retail sales are to people who work downtown, and that those who drive into town to shop generate only a small percentage of downtown sales. Volume for downtown merchants is dependent on the number of people working in all the office buildings in the city, not on the number of cars parked in lots.