

# Erie Land Tax Association

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ELTA

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## THE KEY

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

### THIS IS HOW WE SET IT UP

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

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

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

When taxes are taken off buildings and levied against land value alone, all building values are disregarded. Since the city will be obliged to raise a budget of \$4,272,913 on land it will have to increase the millage from 10 $\frac{1}{4}$  on land and buildings together, to 70 mills on land alone. This will yield \$4,285,114.

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

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

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

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

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

### TAXES DICTATE BEHAVIOR

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

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

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

Tax Land, Not Buildings — Clear Slums, Create Jobs

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

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

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

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

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

Dear Mr. X:

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

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

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

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

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

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

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

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

340 East 14th (modest home, well kept) Land - \$330 Bldg. \$3,690  
City Taxes now are \$41.20 Land Value Tax would be \$23.10

238 East 13th (old house, improved recently) Land - \$450 Bldg. \$4,770  
City Taxes now are \$53.00 Land Value Taxes would be \$31.00

1301 Holland (four family apartment bldg.) Land - \$520 Bldg. \$11,500  
City Taxes now are \$123.00 Land Value Tax would be \$36.40

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