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Can Pittsburgh Have a "Quality Hill"?

"The Future of Our Cities," a book reviewed at length by both Pittsburgh papers in August, is a holiday high-seller. The author, Roy A. Futterman, from a small real estate job five years ago, has risen to ownership of a corporation controlling 68 million dollars' worth of properties across the nation. He is one of several outstanding men in real estate and building who are considering full-value assessment of underdeveloped properties as a means of forcing their development or sale. One is Roy Wenzlick of St. Louis (quoted in S-2); another, Arthur Rubloff of Chicago, in Look, December, 1960, "Let's Tax Our Slums to Death." Futterman is more cautious, but makes an important addition.

These writers rarely mention the source from which much of the vocabulary and influence in this field are drawn—chiefly House and Home, published by Perry Prentice. He in turn has drawn upon the studies of urban taxation in Australia and other British dominions by H. B. Cowan of Ottawa. Futterman shows his awareness. (Quotations, pages 89,90)

"Real estate taxes can be made to serve planning purposes. In Sydney, Australia, for example, land is valued not on a market or depreciation basis, but on a potential basis. Generally, areas are homogeneous with respect to the quality of the structure built on the land. Slum land is reduced in value by the fact that slum buildings stand on it, and the slum buildings themselves are obviously worth little. Thus our real estate taxes fall only lightly on the slums, though the slums require the most expensive services from the cities. Many American slums, however, are located near the center of town, on land with a very high potential value if only the slum could be removed. On the Australian system, such land would be taxed rather heavily, to penalize the owners for their failure to make the highest and best use of their property. Whether such valuations would be constitutional in the United States is an interesting question; whether they would function as desired if imposed is equally dubious. There is danger, at least, that the 'slumlord,' stung by higher taxes, would merely crowd his residences further and suck more blood from his tenants to maintain his profits.

"Rather than hit the slum owner for failure to improve his land, American cities have been rewarding the man who does clear blighted areas by giving him a reduction in his tax bill. The Quality Hill apartments in Kansas City, for example, have a ten-year exemption from taxes on 'the improvements'—that is, they will pay real estate taxes only on the land value as it was before the new buildings went up. For another fifteen years, the development will be taxed only on one-half the value of its improvements to the land, and not until a quarter of a century has passed will customary valuation procedures be applied to the project. Even more generous tax allowances from the City of New York enabled Metropolitan Life to build its enormous Stuyvesant Town housing project beside New York's East River.....

"From the land as it stood the city was receiving only the tax on slum valuation, and without the developer the prospects of higher revenue were dim to the point of invisibility. The same taxes continue to be paid by the new development, even at the beginning, so there is no loss of revenue to the city. The services required by the new tenants are if anything cheaper than those needed in the old slum."

The last statement, about minimum revenue, can be "revised upward" by comparing it with the first sentences about the effect of buildings on land value. Good buildings will raise the value of all the land in the area, to provide the revenue needed, but the better and larger buildings will pay no more than the poorer ones.

(over)

As to constitutionality, this need be of no concern in Pittsburgh. Assessors frankly admit that they have not yet raised the assessments in the city's many blighted districts to 100 per cent of current market value (as the law requires); and the realization that Federal money for urban renewal lies around the corner can change "potential" into actual sale value at the breath of a rumor. But it is true that the "slumlord" might "merely crowd residences further and suck more blood from his tenants." Along with penalty--which can go only so far before it becomes unlawful--there must be incentive. In Pennsylvania the constitutionality of the Pittsburgh Graded Tax, which rewards the builder by separate and lower taxes on buildings, is undisputed. It is the constitutional barrier to separate taxation in other states which causes developers to propose temporary by-passes, as in Stuyvesant Town and Quality Hill.

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William Allan, in the Press of Sept. 22, cites Quality Hill as evidence that the Regional Planning Association's idea of downtown apartments may be the key to the Triangle's future.

"Steps forward Lewis Kitchen, the expert....Allegheny Center which he'll develop here.....He's developed one downtown residential center--Quality Hill in Kansas City--and plans another.....'Quality Hill's 500 apartments have been 90 per cent occupied ever since they were erected two years ago,' Mr. Kitchen says."

But Quality Hill could not have been built if it had not been for the tax exemption on the building. In Pennsylvania we can make such exemption not temporary but universal. To exempt only new buildings is unfair to the owners of old ones, and a still greater exemption is needed if owners are to make continuous repairs and improvements, and fight blight before it goes so far that nothing but demolition is possible. Government projects will lose the race with steady deterioration in all parts of an old city unless every owner has a permanent incentive to improve, instead of an added tax bill when he does so.

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#### It's Television News

David Brinkley's Journal on November 22 told the story of 311 East 100th St., New York. Crowded now with hundreds of Puerto Ricans, it has brought a profit to 25 successive owners during 57 years. Its present total rentals are about \$12,000. Its city tax bill is \$1973. It costs the city eight to ten times this amount in police and fire department attention. Inspectors could find fifty violations of the building code--but they don't. Federal income taxes allow 5 per cent for depreciation - but no repairs are made.

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On November 18, "The Defenders," a TV series on the righting of wrongs by a team of lawyers, had a story of a political boss whose aide passed information to real estate speculators. Advance word as to the location of new highways and public projects enabled the buying up of land and resale at high profits. It is significant that this sort of thing is so widespread that everyone recognizes it as typical -- but the crime is supposed to lie in secret favoritism rather than in allowing profits from the sale of land (as distinct from buildings) to remain with any seller.

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