

SUBTLE pressures are being applied by Philadelphia's real estate speculators to block plans to change the city's property tax.

Councilman James Tayoun and some of his colleagues have sponsored Bill 1226, which proposes two property tax rates: a lower rate on buildings and a higher one on land.

To raise the current revenue, the present tax rate of 6.75 per cent on land and building assessments could be replaced by, say, 5 per cent on buildings and 12.25 per cent on land.

The city council's Finance Committee heard testimony on June 22. And after the meeting, Mr. Tayoun received a phone call from a senior official of the Democratic Party.

According to Mr. George Collins, a leading Philadelphia land tax campaigner, "Mr. Tayoun was told that the land tax would hurt some members of the party and that he ought to be careful about what he was doing. It was a cautionary call."

Mr. Collins added: "Mr. Tayoun told me that the call represented real-estate interests who were bringing pressure to bear. He thinks the result may be that we will lose the support of some members of the council."

"But he doesn't think that these interests will prevail if there is broad enough public support displayed in the council galleries."

MR. COLLINS said land tax campaigners were hoping to attract the support of people in neighbourhood organisations who are concerned about the invasion of their districts by speculators who buy up whole rows of buildings and in some instances, empty them of residents and hold them vacant – for prices to rise.

"If we can show that this Bill will halt the actions of speculators, we may be able to get significant numbers of people down to City Hall when the hearings are reconvened," said Mr. Collins.

The finance committee heard Prof. Steven Cord of Indiana University, Pennsylvania, itemise some of the effects of the two-tier tax:

- The tax burden on buildings would be reduced by \$52.3m a year;

- If the city wished to tax out-of-towners, a land value tax would

Sabotage threat to property tax plan



● James Tayoun

accomplish this since much of the valuable downtown land is owned by non-residents.

The professor challenged the council with this question: "When the city government provides roads, schools, hospitals, police and fire protection, and when society provides jobs and shopping nearby, then land becomes more valuable. Shouldn't local government tax what it creates – land values – before it taxes the buildings produced by individual investors?"

By JOHN GREEN

AN OBJECTION raised during the hearings was that a two-tier tax would *penalise* parking lots – which were good – and *relieve* the tax burden on porn shops – which were not.

This analysis was challenged by Philip Finkelstein, a professor of management and public policy at Adelphi University, New York, and Director of the Centre for Local Tax Research.

He declared: "In terms of property tax, pornography and parking are two manifestations of the same thing. Both are a poor use of property, inappropriate for a

good location. They provide a quick return on valuable locations without having to make investment in that location."

He added: "You run a porn shop in a shack and, of course, a parking lot would be vacant land. So, if an operator wants to hold on to property without investing in it, he can rent it to either a porn shop or other such use."

"How about parking? Do we need one small vacant parking lot in the middle of downtown? No! Parking should be within buildings or multi-storey. There *is* room for parking. What there is *not* room for is speculation in vacant land in valuable locations."

"That is why a parking lot represents every bit as much as a porn shop such poor use, even though one use looks good and the other use may deserve a great deal of public scorn."

The higher tax on land would discourage inappropriate uses, making them unprofitable, said Prof. Finkelstein.

"It should be unprofitable to operate a porn shop as well as a vacant parking lot in a valuable downtown location. If the current operator could not afford to invest, he would sell that valuable property to someone who could make that appropriate investment."

HEARINGS into the economic implications of Bill 1226 are now expected to be reconvened this month (September). If the Finance Committee votes favourably, the Bill will then go to the full council.

The Mayor, William J. Green, could veto the measure. So far, he has reserved his opinion.

The delay in a final vote on the Bill has been welcomed by some land taxers on the grounds that it would not now be identified as an additional tax designed to meet the city's projected \$39m budgetary deficit.

But the time-lag has now made it possible for political considerations to over-ride the economic benefits of a change in the property tax.

The real estate speculators have had all summer to marshal their forces, and we won't have long to wait to see if vested interests have succeeded in undermining a socially-desirable reform of the property tax.