The Henry George News

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Pittsburgh Has Building Boom

For the first two months of 1980, Pittsburgh experienced a significant surge in building activity. New building permits were way up in number and value and permits for additions and extensions and alterations were up as well. *January and February figures for 1980 exceed comparable figures in all categories for the past five years.*

Even housing-the hardest hit segment of the construction industry-is doing better for the first two months of 1980 than for 1979. It isn't much of a statistic, as there has been very little private housing built in Pittsburgh, but the first two months of 1980 show 13 one-and-two-family homes, where the same period for last year shows only 4.

Pittsburgh's effective tax rate on property improvements is 1% of market value, and likely to stay at that figure or even decrease. On the other hand, Pittsburgh's land is taxed at 4.4% of market value, a figure that is likely to continue to increase. Tax-wise, building in Pittsburgh is as good a deal as anywhere, but speculating against a 4.4% land tax can be dangerous.

When Pittsburgh's City Council raised the land tax for 1979, and again for 1980, advocates of the land tax claimed that it would stimulate growth in Pittsburgh. Opponents of the tax (notably the Mayor and two real estate company executives) charged that it would interfere with development.

Certainly there is sufficient evidence from Australia to indicate that a shift from property tax to land tax consistently causes substantial increases in building activity, but that was not the case in Pittsburgh.

Here, the land tax came as a tax increase, pure and simple. There was no decrease in improvement taxes, wage taxes, or any other taxes. There was not even an upgrading of city services, as the land tax increase was spent mostly to offset cutbacks in federal money upon which Pittsburgh had been dependent. In fact, city services were curtailed for 1979, although a few programs cut in 1979 were restored for 1980.

This would be a difficult test for the land tax, not

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Winters Named Member

The Board of Trustees, at the April meeting, elected Si Winters to serve as a life-time member of the corporation.

The nine members are:

Paul S. Nix - President
Oscar B. Johannsen, Vice-President
William Davidson
Lancaster Greene
Mitchell Lurio
Jerome Medowar
R. Dean Meridith
Leonard Recker
Si Winters

Si Winters replaces Arnold Weinstein, who was a member for many years until his death. In addition to the nine members, six trustees serve annual terms.

'Land is Basic,' Assembly Says

"Land is the basic resource" was the conclusion of the American Assembly of Columbia University, following a three-day conference on the Farm and the City, sponsored by the Lincoln Institute.

Among the sixty-three conferees at Arden House, in Harriman, New York last month, were Philip Finkelstein, Walter Rybeck, Special Assistant to Rep. Henry Reuss (D.-Wisc.), and Arch Woodruff, President Emeritus of the University of Hartford, and Former Director of the Lincoln Institute who chaired the conference.

The final summary report stated, "The health,

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The '80 Conference

The 1980 Georgist Conference will be held in New York City from Friday, August 29 to Monday, September 2. Now that the date is fixed, plans are under way to arrange for programs, speakers and activities suggested by those recently polled.

Please notify the school at once it you have plans to attend, and if you will need accommodations.

Siphoned Urban Land Values

by Edith S. Capon

By way of supplementing Walter Rybeck's excellent article in the March issue, here are a few specific cases that illustrate just how urban land values, due to public spending, activities, and population growth, are being siphoned under present assessment practices into private hands, instead of back into the public till:

1. Congress almost approved the expenditure of $4 million for a four-acre tract, assessed at $351,000, for a park in Washington, D.C., when a member of the House subcommittee objected due to the great disparity between that price and the assessed value, which was then increased to $1.1 million, (think of the tax money lost in previous years) and the price lowered to $1.6 million. *(Washington Post,* March 23, 1978)

2. When the Balston, VA station of Washington's Metro opened in November 1979, a prominent North Virginia developer stated, "There is more money to be made in that corridor than in anv other part of the United States." *(Washington Post,* November 19, 1979) The Metro will cost around $7 billion when completed, most of it federal money.

3. Near the Bethseda, MD Metro Station, yet to be opened, a property which cost $18,500 in 1948, sold for $189,000 in September, 1979, and six months later was on the market for $417,000, being billed as the "perfect spot for a McDonald's." *(Washington Post,* March 6, 1980)

4. Fifty-four small and supposedly "low-cost" homes were constructed on 1.2 acres in Washington. The land was purchased by a H.U.D. agency for $755,000 from a London corporation which had paid $398,260 for it in 1963. Total cost of each unit was $76,000, including $13,963 for the land, and the London corporation's nearly 100% profit. *(Christian Science Monitor,* March 18, 1972)

5. In Newton, Massachusetts, where most land has not been reassessed since before 1946, and the real estate tax provides 74% of its revenue, there are some vacant lots assessed for $1,000 with market values of around $15,000. In the case of developed land, higher assessments have been placed on the buildings.

It is very rare to find in news accounts of property transactions assessed values as well as sales prices given as in #1 above, but it can be safely assumed that in cases of high land-sale prices, the assessed values are unrealistically low and not increased unless someone with sufficient clout is willing to do battle with City Hall.

The above information has appeared in widely read newspapers. People either do not read the articles, do not understand the implications, do not know the solution, or do not care, preferring instead to acept higher income, sales, taxes, and even reduced services.

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only because it was an application of the stick without the carrot, but because it was coming at a very difficult time. The building industry in Pittsburgh and in the whole Northeast, has been stagnant since 1974, and was receding in 1978. Pittsburgh had a very active building year, however, in 1977 due largely to federally subsidized projects. In 1979, the mortgage rates began to get out of hand, and it looked like the cause was lost. Land tax or no land tax, building activity was almost certain to decline.

Actually, the only decline in 1979 was in the number of new buildings, the value of new buildings was almost twice that of those built in 1978. While money was tight for home improvements, 1979 saw smaller improvements. All told, 1979 finished slightly ahead of 1977, and far ahead of 1975, 1976 and 1978. The story is now just beginning to appear.

Table #1--February Comparative (Numbers)

	1975	1976	1977	1978	1979	1980
New Buildings	22	20	21	23	6	23
Additions & Ext.	18	23	10	18	22	29
Alterations	275	347	305	240	348	504
TOTAL	315	390	336	281	376	556

Table #2--February Comparative (Dollar Values)

	1975	1976	1977	1978	1979	1980
New Buildings	4,505,390	1,774,990	2,538,300	1,851,100	260,305	2,607,500
Additions & Ext.	614,050	2,686,005	162,500	570,087	344,800	1,891,558
Alterations	2,665,520	1,753,092	1,797,502	2,238,656	3,257,800	8,561,563
TOTAL	7,785,500	6,214,087	4,498,302	4,659,843	3,862,950	13,060,621