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Save St. Louis With Site Tax, Prentice Urges

Perry Prentice, of Time, Inc. and president of Schalkenbach Foundation, told members of the Chamber of Commerce of Metropolitan St. Louis to let the profit motive help reverse the decline of their city. The following is excerpted from his July 22 Proposal to Get the City of St. Louis Going Again:

If St. Louis has everything going for it why is your central city in so much trouble? Why did your soaring sixties give St. Louis the unhappy distinction of losing population faster than any other central city in the United States? Why have taxpayers been moving out four times as fast as relief prospects are moving in? Why did the last census of manufacturers show a net loss of 260 industrial plants?

Why are you letting what the Center for Community Change calls an urban ghost town preempt the very heart of what ~~must be one of the two or three~~ most accessible and therefore most desirable and potentially most valuable urban locations between the Alleghenies and the Rockies—our country's second busiest feight and trucking center and the busiest river port of all?

I've been asking that question ever since I agreed to come here to talk to you about harnessing the profit motive to what you want your city to be, and I've been given two half-answers that nobody I've spoken to here seems to have put together to make a whole.

The first half-answer was spelled out 19 years ago in the Chamber of Commerce magazine by the then chairman of your Industrial-Commercial Redevelopment Committee: said he, "Industry and commerce find themselves land-locked in the city without the means of acquiring land at a reasonable cost to permit expansion. Such," said he, "is the crises

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confronting St. Louis." And last week the general manager of the Chamber repeated the same explanation to me in simpler terms: "The major problem in the City of St. Louis," he wrote me, "is that land is not available for expansion."

Now I don't question for a minute that what Mr. Schoon wrote me is true, but it is just plain preposterous that it should be true. Here is a city that has lost nearly a third of its population, a city that has lost hundreds of industrial plants, a city that is described as further down the road to total abandonment than any other city in the country—and still you tell me—and tell me truly, I am sure—that land is not available!

In brief, what you have here in your city is not a shortage of land, but a very ~~costly and unnecessary waste of land.~~

And that brings me to the second half of the answer—the second half that explains why so much of the land in your city is wasted that you seem to have no land available to grow in.

I found the second half of the answer in the Chamber of Commerce promotion booklet that spelled out proudly how low your real estate tax is. Out of 91 cities covered by this study there are only fourteen cities—most of them very small—whose real estate tax is as low as yours!

You seem to think this low tax is good for your city. On the contrary, as now applied, I am afraid, it has been very bad, for you have been taxing unused, underused, and misused land so lightly that you have harnessed the profit motive to leaving it unused, underused, or misused instead of putting tax pressure on its owners to release it at a reasonable price to someone who would put it to fuller and better use. You have, in effect, been subsidizing blight, decay, slum formation, and land waste by undertaxation. You have made it possible to hold a hundred thousand dollars worth of underused or blighted land off the market for a year for a net tax cost of never more than \$1000—and your newspapers have just published one shocking example where the owners got paid more than \$500,000 for a blighted block they had been leaving blighted at a gross yearly tax cost of only \$350!—a tax cost of 70 cents a year per thousand dollars before income tax, or say 35 cents a year per thousand dollars after income tax!

When you give the owners of unused, misused, and underused land an annual undertaxation subsidy like that is it any wonder the owners of that unused, misused, and underused land have decided they might as well leave it that way hoping that if they hold it long enough they too can get a similarly fancy price for it? The undertaxation subsidy gets capitalized into a higher price per acre, and so

far that matter does your comparatively low rate of taxation on improvements, and that is the number 1 reason why so much land here has been left and kept unused, misused, underused or blighted.

Year after year your undertaxation subsidy has been making it profitable for each individual landowner to let his particular property run down, with the result that so many properties have been allowed to decay. When a whole neighborhood decays the surrounding decay was capitalized into a lower value for each property in the decaying neighborhood, so now at last land prices in the city are falling instead of rising and landowners are beginning to abandon their blighted properties instead of continuing to hold out for the fancy prices that have been getting harder to get.

You have been reasonably successful in getting the Federal government to buy up blighted properties for you at three times their reuse value and write the price down to what redevelopers might find it profitable to pay. As St. Louisans this should make you happy, even though as Federal taxpayers it should make you mad.

Profit Motive

Looking ahead the two most constructive suggestions for harnessing the profit motive to a better city have come, not from business leadership, but from City Hall. Your very intelligent City Comptroller, John Poelker, who was on the Urban Finance panel with me at the Mayors Convention in Atlanta last Fall, has proposed asking the legislature to let the city assess and tax the improvement values the property owner has spent his own time and money to create only half as heavily as the location values which derive 99-44/100%, not from anything the owner has spent and done, but from what the community has done and spent and what the taxpayers have done and spent to make the landowners' location desirable.

And now your troubled and thoughtful City Assessor, Joe Sansone, has suggested giving complete or partial exemption to all future improvements whether the neighborhood is blighted or not.

These are all good moves as far as they go, and you should all be grateful to Mr. Poelker and Mr. Sansone for pointing St. Louis in the right direction, even though nothing has yet been done to put the halfway measures they suggested to work. And I don't believe anything much will be done about their suggestions until you of the business community get into the act.

And when you do get into the act—and I hope you will get into the act before it is too late—I hope you will want to go a lot further and push through a tax reform program that will really harness the profit motive to what you want for your city.