The following is extracted from a recent five page article in the Journal of Housing, official publication of the (American) National Association of Housing and Redevelopment Officials.

TAX TRICKS DESIGNED TO DO IN SLUMS

"The economic and social forces now being unleashed in our local government area are too dynamic and too powerful to permit archaic or inefficient local tax systems"—Tax Institute, Inc.

IN Chicago ... in Pittsburgh ... in Kansas City ... in newspaper articles ... at professional meetings ... in hallowed halls of ivy ... in down-to-earth city council chambers — in many ways and many places, a new device is turning up in the fight to eliminate slums and preserve and promote good housing. What it amounts to: ingenious use of the public taxing power.

Urban renewal, perhaps more than any other force in operation today, has been responsible for the new look at taxes. The big payoff to the slum operator who, in effect, lets the fellow keeping a better house pay the tax bill; the lack of dollar incentives for new construction; the penalty in higher assessments that those who fix up and paint up pay; the high price tag on public acquisition of slumlands—these are some of the incongruities that have been brought into sharp focus by the city rebuilding drive. The urgency of rebuilding America's cities and the need to eliminate those hurdles that have been slowing the pace of progress have dramatised the fact that it may be time for a change in tax thinking ... and here and there something is being done about it.

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There are many who would answer the question of whether now is the time to take a new look at the property tax with a big "yes".

One such is a Chicago realtor, Arthur Rubloff, who, for some time has been advocating a get-tough policy for dealing with slum operators who through "stupidity or cupidity" obstruct the better housing drive ... and the way to do it, he says, is to restudy and completely overhaul property taxation procedures. Said Mr. Rubloff before an audience of Chicago building managers earlier this year: "Our real estate valuation system for tax purposes should somehow take into consideration the ultimate potentials of the property. We ought to insist that land values be set high enough so as to render the maintenance of ... outmoded structures economically impossible ..."

The idea of using high land taxes to make pocket book sense out of good housekeeping and pocket book nonsense out of slum keeping is not a new one — essentially it's the old "single tax" or "site-valuation" system that even now is in use in such places as New Zealand, Australia, parts of Canada, South Africa, and elsewhere. But it is an idea that is enjoying something of a revival in the United States and in other places as well. The plan, for example, caught the imagination of many of the delegates to NAHRO's 1958 annual conference, when Prime Minister Nash of New Zealand, in an unexpected conference appearance, described how it was working in his homeland; it created a stir, again, when described in a story carried in *American Municipal News*, publication of the American Municipal Association: and, in general, it has won so much interest that just last year Harper & Brothers published a report based on a study of the system that was conducted by an International Research Committee.

The "site-valuation" or "single tax" system in simple terms, goes like this:

(1) land is taxed according to its potential (whether or not the property has been developed or how well it has been developed does not figure — rates are based on the best and most suitable potential use for the land);

(2) all improvements on the land are "untaxed." It was the feeling of the international study group that such a taxation system would "reduce speculation in land, enable municipalities to obtain a larger share of community-created land values, improve housing conditions, and provide a new approach towards the solution of other social and economic problems ..." The results of their study indicate that these opinions are backed up by experience.

The full story of how the "site-valuation" system has worked in some of the places studied by the international committee was presented in the report published last year: *Municipal Improvement and Finance as Affected by the Untaxing of Improvements and the Taxation of Land Values.* In just about all the cases presented in the report, a switch from another system of property taxation to "site valuation" added up to a story with a happy ending.

As an example, take the case of Sydney, Australia. The "site-valuation" system went into effect there about 40 years ago and, according to the report, changes for the better were noticeable almost immediately. Some of the results charged to the change:

1. a marked increase in the tax returns from the main business area;
2. a corresponding decrease in taxes paid by home owners and others less likely to be able to handle big assessments than down-towners.
3. an increase in property rehabilitation operations, since owners recognised that it made better sense to fix up their holdings than to let them decay — whether land is occupied by a slum or a good building (presumably the latter could command a higher income), the tax rate would be the same.

All in all, according to the report, with the change to "site-valuation" taxation in Sydney, "there was an immediate movement toward the scrapping of old and out-of-date buildings and the erection of modern edifices." Further, the report goes on, "This movement has continued with but a brief interval during the depression years."

It is not only property taxes that are getting a going over these days. Also coming in for attention: income tax laws and how they figure in the slum picture.

Realtor Rubloff, whose opinions on what's needed in the way of property tax changes were presented above, also has been one of those who have had a thing or two to say on the question of how income tax rulings are helping to maintain slums. His views: "We ought to find a way under our federal tax structure to penalise, rather than to reward, the perpetuation of slum structures in the central business district and elsewhere. Property depreciation should have a limit no matter who owns the property. We ought to insist that there be replacement reserves. We might even require the establishment of such a reserve as a condition of depreciation allowances."

Pennsylvania

New Land-Value Tax Bill Awaits Governor's Approval

THE Bill empowering each of the 47 "third class" cities in Pennsylvania to exempt buildings from local taxation which, as reported last month, was passed unanimously by the Senate has now been passed by the lower house of the Legislature. Voting was: 148 to 45. The State Governor's signature is required before the Bill can be enacted.

Both the "second class" cities—Pittsburgh and Scranton —tax buildings less heavily than they tax land values. Some of the benefits which Pittsburgh has reaped from even this partial application of the land value policy were recently described as follows by one of our Canadian readers, Mr. Ben Sevack, in the correspondence columns of the *Montreal Star:*—

YOUR recent editorial justly commends the example of urban renewal in Pittsburgh and specifically the Golden Triangle in which hundreds of millions have been invested to replace a rapidly deteriorating blighted section. However, credit should be given to correct and just taxation, of which I shall try to give a brief history.

As you pointed out in your editorial, leading civic organisations played an important part in initiating the movement which brought about the change. The Pittsburgh Civic Commission made a thorough analysis of the city's tax system with a view to lifting the burden of taxation from improvements and placing more of it on the landholders who where impeding the city's progress by holding the land at prohibitive prices.

To this end the Graded Tax Law was passed in 1913 which provided for the partial exemption of improvements by gradual stages. In 1914-15 the tax rate on buildings was dropped to 90 per cent. of the rate on the assessed value of land. Effects of the law were almost immediately apparent. Though the first step was a small one, it has been reinforced by a sweeping reform in the system of assessing land, accomplished by an earlier act in 1911. So that in 1913 and 1914, while other industries of the city lagged the building business flourished.

In 1925, when the act became fully effective, the rate on buildings was 50 per cent of that on land. Commenting in 1927, after two years of full operation of the Graded Tax Plan, the *Pittsburgh Post* said:

> "Formerly land held vacant here was touched lightly by taxation, even as it was being greatly enhanced in value by building around it, the builders being forced to pay the chief toll, almost as if being fined for adding wealth to the community. Now the holders in Pittsburgh are encouraged; improvements are taxed just one-half the rate levied upon vacant land. Building has increased accordingly. Here is illustrated how ideas once thought radical and impractical come gradually into general acceptance."

There is, of course, no loss of revenue to the city through the graded tax. It simply brings about a shift in the burden from buildings to land. For the year 1953 the shift in taxes from buildings to land was approximately $4,000,000. The relatively high tax on land values has definitely checked land speculation by making it unprofitable to hold valuable land out of use. The apparent tendency is to stabilise the value of land when building values have been soaring. While the selling value of land has fluctuated, as elsewhere with booms and depreciations, the average market value in Pittsburgh was but little higher than the average value prevailing before the graded tax was introduced 40 years previously.

Despite the fact that the land area in Pittsburgh is quite restricted and there has therefore been only a modest growth in population within the city limits, there has been a vast amount of building in Pittsburgh since the introduction of the Graded Tax Plan. This has been due to the tax policy which encourages the improvement of real estate and discourages the holding of vacant or inadequately improved land. Total assessed building values have more than doubled between 1914 and 1953 aided by the erection of more and better buildings of all kinds. In the words of an editorial which appeared some years ago in the *Pittsburgh Press:*

> "A progressive law like Pittsburgh's, removing the tax burden from buildings as far as practicable, and putting it increasingly on land, is certain to be opposed by a certain class of rich landlords, and the extension of such legislation must be secured by virtue of enlightened public opinion, demanding what is clearly in the interest of the average businessman and of the public in general."

I urge all interested civic and business groups and city councillors to look into Pennsylvania's Graded Tax Plan, as they might find a solution to slum clearance, redevelopment of blighted areas etc. without recourse to public funds. Anyone who desires further information may telephone me.