

## THESE 6 CITIES ARE SMARTER THAN PORTLAND ABOUT HOUSING

If Portland wants to fix its housing crisis, these towns show the way.

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"Pittsburgh

"The big idea: Tax land to spur development.

"As a general matter, property taxes are based on the value of land and the buildings on it, in equal measure. But in Pittsburgh, one of the early and few American cities to adopt a "land value tax," property taxes were heavily weighted toward the value of the land over the improvements on the land. This taxing system nudges owners of vacant lots or underdeveloped property to build and build sooner.

"In short, a vacant property became a tax burden: It produces no revenue (or, in the case of a parking lot, little revenue) but is taxed as if it did. So the owner is spurred to build or sell.

"It incentivizes more intense development and takes pressure off the urban growth boundary," says Tom Gihring of Common Ground OR-WA, which has long advocated a land value tax.

"In one of the most definitive studies of the subject, a 1997 article in the National Tax Journal, Pittsburgh, which ultimately repealed its citywide land value tax in 2000, saw a 70 percent increase in building permits in the decade following the adoption of the land value tax as a vast majority of similar Rust Belt cities without such a tax saw dramatic declines in permits.

"How it works:

"Property tax paid by the owners of a 10,000-square-foot vacant lot on Portland's Northeast Alberta Street: \$469

"Estimated tax the owners would pay under a system like Pittsburgh's: Upwards of \$25,000

"Would it work in Portland?"

"If there's anything Portland hates more than skyscrapers, it's a wasteland of parking.

"Portland could call this plan the Goodman tax. The Goodman family is among the largest land owners in the central city. Roughly 5 of their acres consist mostly of parking lots, which they have just begun to develop.

"It's flipping the script on how the property tax works," says Joshua Vincent of the Philadelphia-based Center for the Study of Economics, noting that regular tax structures have perverse incentives. "If you do the right thing, if you build affordable housing, you are putting a lot of money and providing housing, you're going to be punished by really high taxes. We reward the vacant lots."

"Wheeler says: "It's really interesting what [Pittsburgh] is trying to do—put the tax on the land, not on the construction. You want to discourage large landholdings in your central core that don't have (continued on page 4)

## THESE 6 CITIES ARE SMARTER THAN PORTLAND ABOUT HOUSING (from page 3)

housing. It makes really good sense from the logic perspective.

"Now the reality check: I've been advocating for property tax reform for how long? The chances of a complete radical reframe of the property tax system in Oregon is somewhere between zero and zero." <<