

POWER POINT PRESENTATIONS FEATURED AT BRIDGEPORT CONFERENCE

On Outreach Day, August 18, 2003, at the Georgist conference in Bridgeport, informative power point presentations were made by Philadelphia Assistant City Controller Bruno Moser, Center for the Study of Economics Executive Director Joshua Vincent, and Austin, TX marketing consultant Matthew Harris.

In the audience were a dozen local officials, including the mayor and finance director of Bridgeport, CT, the city manager of Hartford, CT, the Connecticut Economy executive director, Philadelphia Tax Reform Commission research director Mary Braun, and former Allentown, PA Councilman Ben Howells who was instrumental in getting the 2-rate property tax with heavier millage on land values implemented in Allentown, PA.

Bruno Moser's power point presentation focused on Philadelphia City Controller Jonathan A. Saidel's proposed tax reform. The "Tax Structure Analysis Report" had been a year in the making when it was announced in November 2001. Saidel was re-elected for the 4th time with 85% of the votes just prior to the release of the report. (see <http://www.philadelphiacontroller.org> and also Nov.-Dec. 2001 Groundswell).

Philadelphia has a 4.5% wage tax which is proposed to be cut by 10% and real estate taxes are proposed to be raised by 10%. The city is at a disadvantage to the suburbs because of the wage tax and is at disadvantage to neighboring Delaware because of the sales tax. Philadelphia loses 10,000 people net a year, as the better-off leave and the poor come in. After a march on City Hall by 1,000 business people, the wage tax is to be lowered.

Of Philadelphia's 565,000 parcels, 50,000 are vacant or derelict. The Controller points out that every house fixed up is one less house the city has to take care of. The city is spending \$300 million to tear down derelict buildings to clear out for redevelopment. Currently the one rate property tax is 8.264 on land and buildings value combined. Philadelphia's real estate ratio of land to buildings is 1:3.44, meaning the Board of Revision of Taxes gets 3/4s revenues from buildings and 22.5% from land values, for a total of \$33.2 billion. The Controller proposes to start with 50% from land and 50% from buildings.

Philadelphia city, school, and county boundaries are the same, and Philadelphia doesn't need permission from the state to make the change. Changeover studies show that 80% of residential property owners would be winners.

Since the Tax Structure Analysis report was unveiled in 2001, much outreach and mobilizing has been done. Hearings were first held in February 2002. Fifty experts came in and encouraged the Council to change the tax structure and encouraged Land Value Taxation. A private citizen set up a web page (www.hallwatch.org) with all the assessments, since the city would not make the public information public. There were meetings with neighborhood groups, with the Chamber of Commerce, other organizations including the Realtors, and with the city agencies including the Board of Revision of Taxes. The Center for the Study of Economics and the Henry George School of Philadelphia provided much help.

There was also an independent study done by Drexel University because the assessor's office said 80% of residential properties couldn't be winners because the assessment data is bad. The Drexel study established that the relationship between land and buildings was correct and that 4 out of 5 residential properties would indeed save. Commercial properties don't get reassessed very frequently.

Another hearing was held in April 2003, and 40 people testified in favor of the changeover. (see May-June 2003 Groundswell) The assessors are saying they can't do the assessments, and the city councilmen are saying they want more information. The public is saying what are you waiting for? A Tax Commission of 15 commissioners and 25 advisors was established by vote of the people last year and will be making recommendations in November.

Joshua Vincent, Executive Director of the Center for the Study of Economics, Philadelphia, along with his power point presentation, as follows, commented that the Center does 2-rate LVT studies. A city is a city of people, streets and blocks one by one, and the city cannot succeed unless you preserve the neighborhoods. Land value taxation applies to the whole city and applies to people who don't have to apply for programs like tax abatements. It is a shift of property and other taxes so that buildings are permanently (unlike an abatement) taxed at a lower rate and land is taxed at a higher rate and is revenue neutral to the city. That is unlike a TIF or abatement program, where there is sometimes massive revenue loss in order to attract that special or high tech firm.

In Pennsylvania starting January 1, Altoona became the 20th two-rate locality. With the passing of the industrial age, Altoona, like Bridgeport and Philadelphia, has had an exodus of population and has a lot of vacant and substandard properties. Altoona will go from 38.3 mills on land and buildings value combined (on 35% of assessed value) to 30.78 mills on buildings and 91.7 mills on land, bringing in the same amount of revenues of \$7.5 million.

Land Value Taxation untaxes that which can escape (people and capital) and taxes higher that which cannot escape from the city, he noted, as land can't leave no matter how much you tax land. Change to LVT usually provides tax reductions for people that contribute to the community, and increases taxes for those that don't do anything for the community and just hold land out of use. You could have a safe city through a safe tax policy.

Money is a liquid asset that flows to where it is comfortable, but taxing land is a value capture tax. If a highway and cloverleaf are put in, land value increases now accrue to somebody that owns a plot of land, but that benefit should accrue to the community that paid for that infrastructure improvement.

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Vincent presented a chart of two-rate property tax Pennsylvania cities that range from DuBois to Harrisburg. There has been no increase in land abandonment and there has been an increase in taxable building permits.

(editor's note: see "Revenue Source" brochure inserted in this GroundSwell issue.)

Vincent had done a small sample analysis on Bridgeport properties. Right now the city of Bridgeport has 55 mills on land and buildings combined, but if you got the same amount of revenue from a 50%-50% split on land and buildings, taxes would increase on vacant land. Right now investment capital is not comfortable in Bridgeport so it flows somewhere else. Bridgeport is down to about 140,000 population from 160,000 people in the 1950s. Of about \$900 million of land values, about \$61.5 million of land is vacant, about 2,500 parcels. Vincent distributed his abbreviated Bridgeport study on a 4-page hand-out. Higher valued homes would see less tax savings as a group. This would be progressive because the owner occupied poorer housing stock would save.

Matthew Harris, an independent marketing consultant from Austin, TX, also had done some statistical analysis on Bridgeport. One growing part of his work involves GIS (Geographic Information Systems), and his presentation centered on a map of Bridgeport, which is about 2-1/2 miles across and 5 miles north to south. On the July 17 bus tour of Bridgeport many at the conference had seen some abandoned industrial and commercial areas and also some expensive waterfront residential properties.

Using some data provided by immediate past Bridgeport assessor, Ted Gwartney (who now is assessor in Greenwich, CT), Harris developed a model of the city of Bridgeport, starting out with just the land values. He took the revised land values and color coded the map to illustrate the dollars per square foot. The higher residential land value areas were shown in deeper red with those of less value shown in lighter red. Shown visibly were places that are underdeveloped relative to the land value and other places that are developed intensively. The ratio of improvement value to land was shown, with the higher improvement to land value ratio in deeper red.

These tools are good for two different purposes. One is informational and educational to demonstrate what the values are and why they are. Also there is the analytical aspect of figuring out what is causing the land values to be what they. Public officials could use these kinds of tools, he said, as you could see where development is mostly likely to occur.

There is a lot of data available in the Census that can be developed by tract. Harris' approach involves building a set of factors built out of the landscape. There is a lot of data that has been geocoded and is available. For example, the Census is a treasure trove of information. Census data is organized in several different levels, tract and a smaller group of blocks. In theory, it can even be focused on an individual (continued on page 16)

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house, but that takes more computer time. The data includes population, household sizes, and income data.

You can take a look at the block centroids, and take the center of each census block and do a number of different calculations on those. From the centroid you can begin to develop features specific for your block group. What does the neighborhood look like, and you can develop a circle. Harris developed a routine where for each of these census blocks you can do a search and count how many people are there and measure the density. This would be a factor you could use to estimate land values. You could look at building density also, residential and commercial. You can look at land values and see how close people are to transportation and express those factors. GIS makes the process of collecting taxes more transparent. Going to this method makes assessments easier.

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