

Walker real estate

EBCO Industrial Park
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January 29, 1990

To: City Council President, Michael Flatley
Councilman Mario Bagnoni
Councilman Joseph Borgia
Councilman Gayle Wright
Councilman Denise Robison
Councilman Chris Maras
Councilman Brian Dougherty

Dear Mr. Bagnoni:

I write to you today in very strong support of the Land Value Tax, aka Two Tier Taxation; aka Graded Taxation.

It was my pleasure to serve on both the first Mayor Tullio appointed Land Tax Study Committee, in the 1960's, and again on the Erie Conference Study Committee.

While supportive postures for land tax emanated from both of these studies, the land value tax has been stopped dead in its tracks by our former mayor and by Erie's leading real estate owner.

I have spent much of my life time improving property. Unfortunately I have not had much company. And all you have to do is look around Erie to prove it. Most improvements to Erie have come about by government subsidy, hospital revenues, or from a few special circumstances. The vast majority of commercial, industrial and residential units have suffered from lack of improvement, and an exodus to the suburbs.

Un-taxing buildings and improvements and up-taxing land encourages a great many very desirable results. And Pennsylvania is quite unique in having the opportunity to employ a two tier or graduated tax system. That is why over ten Pennsylvania cities have adopted this system. To the best of my knowledge, none of them have ever reverted back to the single tax system with which we have been shackled.

If we had adopted this system when we first had the opportunity, back in the sixties, we would need very little reassessment work today, if any. We do need reassessment and taxing land which can rather easily be done by computers could make that job easier and less costly.

But it is not the assessment question that should decide the issue. The real question is: which tax is most beneficial to any economic system.

Most taxes are regressive, harmful, and undesirable, BUT a tax on land does almost everything right.

1. It helps remove the speculative value from land, thus getting land priced at its true economic value, encouraging its highest and best use.
2. It encourages construction by removing part or all of the negative impact taxes have when applied to improvements.
3. It encourages the hiring of labor, the purchase of materials, and the expending of capital within the area so taxed.
4. It reduces the cost of assessment. And where the land tax is used the most fully, it will reduce the cost of assessment to the greatest degree.
5. It will make the remaining tax fairer to all citizens. Taxation of building and thus the impending assessment needed is at best highly subjective and most often very unfair. The improvements outside are very visible. The improvements inside, away from the assessors view are most often never taxed anywhere near their true value AND I DON'T THINK THEY SHOULD BE! They should be encouraged, NOT DISCOURAGED.
6. Taxing the land is also a better method because land is essentially a fixed, visible quantity. It is measurable, consistent, and the value when sold is significantly relative to the value of adjoining property.
7. In behalf of the many other reasons a letter simply will not accommodate!

PLEASE do not let the exceptions steer you away from the main body of truth! i.e.,

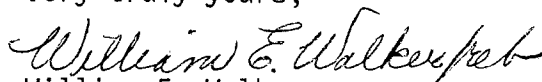
Deciding the fate of Land Value Taxation because of the present tax impact of such buildings as the First National Bank Building, The Erie Insurance Exchange, etc. makes little sense.

Look instead at the path worn by those cities in Pennsylvania who have gone through the same studies, and debates and have finally put their "toe in the water" and taken the chance to change tax methods that have failed in the past. Certainly our present tax system has failed or we would not be where we are today, with run down properties, slum landlords, inner city decay and with much economic stagnation... partly because we have taxes "improving", "accumulation of personal property" (called savings in Japan) and job creation.

PLEASE DON'T MISS THIS OPPORTUNITY. Don't let a few persons with a lot of property again stop Erie's best interests.

And in conclusion, while this form of taxation IS the best step forward we could make, Do Not expect a quick fix. The turning around process will take time. But here is the chance to make ALL OF ERIE an "ENTERPRISE ZONE", not just a few blocks. BE BOLD!

Very truly yours,


William E. Walker

Since we changed our assessments at the same time, we found an overwhelming majority of homeowners would pay less with the two-rate approach as with the single rate, and still bring in the much needed revenue. We found that 81% of our residents will pay less by going to the two-rate than the single rate that we had been utilizing. As those on council realized, I now had the tool to sell this procedure. Council could hardly argue against a change that would cost the majority of our residents less. We decided to call a public meeting and inform the residents of our progress. We included Mr. Cord, and the Pennsylvania Economy League who had completed a study of our cities assessment status. As usual, not many residents appeared, but we did receive excellent press coverage as we attempted to explain the new system to the public. The only problem occurred that due to old practice, the reporters tried to equate our new two-rate to our prior single rate system.

It was interesting watching them trying to explain that 65.8 mills on land and 16.8 mills on building equal 25.8 mills of single rate taxation. We began implementation and there were few concerns, until the tax notices were sent out, which is always the case. Our situation because we accepted the more recent assessment at the same time, some residents more properly assessed received higher increases. However, 81% of the cases still were not as high as they would have been with the single rate. My personal calculations show that 95% paid less. This is what occurred at implementation. We found that actually 25% had tax decreased, 46% increased under \$50.00, 22% from \$50.00 to \$100.00, and 5% over \$100.00.

What happen in the beginning of 1985, has been quite positive. Especially to those of us who promoted the switch from single rate to a two-rate system. There has been a noticeable increase in construction activity, as evidence by a 72% increase in building permits. This translated into a dollar amount was \$8,729,806.00, a 33% increase over the years prior to the two-rate system.

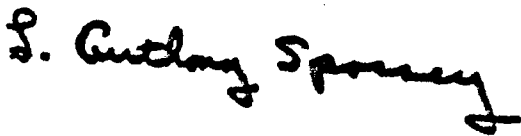
Another interesting factor occurred. For 1987 we showed \$6,057,224.00 in construction cost for tax exempt property, perhaps reflecting the positive construction trend in our city. The two-rate system has meant that property in areas of higher value who should be able to pay more do in fact pay more then those in densely populated residentially areas where there is lower local income levels. In 1988 we increased our millage for needed revenue. The increase was placed only on land, thereby affecting the residential areas the least. This can all be precalculated in proportion of lands to buildings. For example in our case above 4 to 1 paid more, under 4 to 1 less. As you will note from what I have stated, there seems to be a positive influence of our two-rate system. The trend for construction costs for 1988 were \$8,690,108.00 and construction costs for 1987 total \$14,775.857.00. These are the type figures that we have been experiencing since we changed to the two rate system. It seems reasonable that people would be more interested in making improvements based on the fact, they are now paying 16.5 mills on renovations, when before they were paying 41 mills on any renovations. I can not say to you that this is a solution to the erosion in your municipalities tax base, but it has prevented tax revenue decline.

With this information I present a true picture of what has happen in my city. I do not professed to be an expert in this areas, there are many who know quite a bit more. It is important that we determine what we feel will be in

the best interest of our various municipalities. Changes have to be made, sometimes those changes are very hard to accept. But for those of us who are responsible for carrying on a municipal government, with the loss of revenue sharing, with the defeat of tax reform, I think that it is imperative we begin to look and continue to look at other ways to structure our taxing system.

If I can be of any further assistance to you, please don't hesitate to give me a call.

Sincerely,

A handwritten signature in black ink that reads "L. Anthony Spossey". The signature is written in a cursive style with a prominent initial "L" and a long, sweeping underline.

L. Anthony Spossey
Mayor

LAS/rj