

Mayor Joe Schember has announced that his theme for the year is to attract more people and more jobs. And all of City Council says, "Amen." City Council is in a position that we have to look at what has occurred to move our city into a state of declining population and jobs, and though much of that decline is throughout the northern states, I will be bringing forward a proposal to help bring us towards the mayor's goal.

The decline of population and jobs makes it difficult to maintain city services. This leads to a drop in the services that make our community appealing or it creates an increased burden to provide those services on the people who are still here. For a simple example of what the services look like, the city maintains roads. With less people, jobs, and frankly, taxes, the city either has to get rid of roads, make the remaining people pay more to maintain the roads, or put the maintenance off for future generations to repair.

The city has understood that taxes are a deterrent to growth. In order to get more development, the city has been "abating" taxes with the Local Economic Revitalization Tax Assistance (LERTA) program. This has been one of the most notable decisions by Mayor Schember in order to get more people. The idea is that if there are new buildings, it will lead to more people in the housing and more jobs in the commercial space. By abating the taxes for 10 years, we are really admitting that we understand that taxing improvements and buildings are a hindrance to our growth.

The city primarily taxes three things: work, buildings, and land. This year the city expects to collect about \$29 million in income tax from jobs in Erie, a little more than \$30 million of taxes on buildings, and a little under \$10 million will be taxed on land. The rest of the city's revenue comes from usage taxes and fees or revenue from other governments.

If we look at taxes as a deterrent to the things that we tax as a society, why are we taxing things that we want to see happen? The city wants people to work. "More jobs" is a stated goal for this year. Yet we tax those jobs. The city wants people to live here, yet we tax the homes and many of the places of employment for investment in building the community. The one thing we tax the least is the very thing that we cannot lose or deter as a community — land.

The city can tax houses enough that people might not want to live here. I'll argue we have, and that it is a big reason for the decline. The city might tax income enough that people might not want to work here. However, land won't leave. If anything, shifting the tax burden to land will give landowners a reason to put the land to good use. Landowners who now have underutilized space at a lower cost might have a greater motivation to invest in our community and put that land to use.

Pennsylvania allows for a unique taxation where property taxes are split between land and improvements. Erie taxes those at the same rate, but many other communities tax land at a greater rate to reduce the burden on the improvements to the community. Allentown, for example, taxes land at five times the rate of buildings. They made this change in 1996 and it is one of the factors that led to their community's pivot from decline to growth. It reduces the penalty for building in the same way that LERTA has stimulated our city's building growth, while also offering a prodding to those landowners who fail to improve upon resources in our community.

Maybe homeowners reading this have come to realize that reducing taxes on homes might not do us any better because those homes are still on land. However, 75% of Allentown's residents saw a reduction in their tax bills. Harrisburg made a similar shift and 90% of the residents saved money on their taxes. In both cases, not only was it to the benefit of the residents, but it spurred the growth that Erie desires. At the time that Harrisburg made this shift that I am suggesting, Harrisburg was the second most distressed city in the nation. Within 12 years they saw \$1.2 billion in investment and vacant properties reduced by almost 90%. Allentown implemented this in 1996, the same year that voters adopted a Home Rule Charter, and turned around decline going back to the 1950s. Allentown has now grown its population by about 20,000. The numbers regarding Allentown and Harrisburg are cited here:

<https://www.strongtowns.org/journal/2019/3/6/non-glamorous-gains-the-pennsylvania-land-tax-experiment>. How does 2050 in Erie look with our population back up to our 1980s numbers?

To have the same Land Value Tax split as Allentown, Erie's millage rate would change from 13.12 to 7.28 on buildings and 36.44 on land. Jumping into such an abrupt change might offer some difficulty. It may be as easy as starting off with 1:2 rate instead of a 1:5 rate, and having future tax increases just placed on land until we get to a 1:5 ratio. The next step for council would be

to work with one of the many advocacy groups that work on this and even including the school district in our studies. Allentown only implements a split tier land value tax as a municipality, whereas Harrisburg has it both as a municipality and a school district.

Society understands how taxes affect behaviors. That is why there are taxes on cigarettes, alcohol, casinos, fossil fuel, or a dozen other behaviors that are understood to be detrimental to society. We try not to tax vegetables or books at the same rate as cigarettes because society wants people eating healthy food and reading rather than smoking. In Erie, why are we taxing investment in jobs and housing at the same rate as we are taxing land? It rewards the behavior of underutilized land. It rewards landowners who tear down buildings instead of improving upon the land. If you don't want vacant lots, don't reward vacant lots.

Do we want more people? Let us tax the houses less. Do we want more jobs? Let us tax the factories, offices, and investment less. The land is not going anywhere. If the landowners are unwilling to invest in that land, let it be taxed.

Chuck Nelson is the president of Erie City Council.