



## TAX STRATEGIES TO CURB SPRAWL

by Nadine Stoner, Beloit, WI

On December 5, 2003, at the Gamaliel Foundation ([www.gamaliel.org](http://www.gamaliel.org)) National Leadership Assembly in Milwaukee, WI, a workshop was held on the theme of "Tax Strategies that Redevelop Communities and Curb Sprawl." It was moderated by Rich Nymoen of St. Paul, MN, who is a Henry George Institute correspondence course graduate. The first presenter was Rev. Rich Creason, president of Metropolitan Congregations United for St. Louis. Three presenters talked on the 2-rate tax/land value taxation. They were Joshua Vincent, president of the Center for the Study of Economics; Rich Nymoen, of ISAIAH, which has backed legislation in Minnesota (see March-April 2002 GroundSwell); and Ann Pratt of Hartford, CT, an activist with the Interfaith Coalition for Equity & Justice.

Rev. Fr. Rich Creason, president of the Metropolitan Congregations United talked about their 3-year effort to get neighborhood tax credits redefined to promote reinvestment in the urban core of St. Louis city and the first and second ring suburbs. The entire city of St. Louis qualifies as a "distressed community," which is defined as an area where the income of people is 70% or below the median income of the region. A greater percentage of people have fled St. Louis than any other city in America during the 1980s and the 1990s. There has been a massive decline in the tax base leaving St. Louis without the resources to adequately fund city services, health care and education. We need to use tax credits for the common good. There are vacant lots, abandoned buildings, and massive brownfields for which they had been unsuccessful in accessing a brownfield tax credit. They talked to the city mayor who had not understood that St. Louis was in a position to receive tax credits. Without special tax incentives, there would be no investment capital or venture capital to do what is needed for the good of the community, to produce affordable family housing, attract new businesses, or create new jobs. They organized an Urban/Suburban Caucus of clergy, the Mayor of St. Louis, the Executive of St. Louis County, and 18 state Representatives and state Senators. With this power table they were in a better position to go lobbying in Jefferson City. Redefining a distressed community would tip the scale in terms of where development dollars would be applied. Around this they were able to create a tax credit to write down the cost of housing to make

it more affordable, so that with home dollars and tax credits one could buy a \$155,000 house for \$95,000. They looked to the people in Kansas City who might be on their side, and finally got the Mayor and Catholic Conference to come around to their side. However, they are on guard as to the next legislative session when there is a movement to strip away the dollar value of tax credits, to lower the cap on some of the programs and move that money, and also the state development director wants to pool all tax credits. There are various tax credits, but the most important are Neighborhood Assistance Program, Affordable Housing, Brownfields, and Historic Tax Credits. There is a tax credit clearing house with a bank that markets to people that need credits and those that have a need for a tax liability. MCU is developing 40 new homes through a separate collaboration called Holy Ground. Not-for-profits qualify for the Neighborhood Assistance Credit.

Josh Vincent, president for the Center for the Study of Economics, Philadelphia, made a power point presentation on land reform and the concept called land value taxation. CSE's sibling organization, the Henry George Foundation of America was established in 1926 by the city assessor, several city councilmen, and several church leaders in Pittsburgh.

The Center for the Study of Economics works with governments all across the country and overseas to determine what their mill rates would be with a shift from the one-rate property tax to the two-rate property tax on land and buildings. This shift encourages local control over a city's destiny. Getting a break is less likely at the state and national level. When people lose access to land, they then lose access to job opportunities and housing opportunities.

The Center has helped enact the 2-rate/Land Value Tax and studied the effects in a number of Pennsylvania cities.

Aliquippa was a broken down old steel town. It used to have 30,000 people and now has 12,000 people. Aliquippa's steel plant helped win World War II, but then they were largely forgotten. Under the one rate property tax, their rate was 4.4%. Under the shift to the 2-rate property tax, their tax rate on land values is 16.5% and their tax rate on buildings is 2%, bringing in the same amount of revenues. (continued on pg.2)

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In Allentown the 2-rate tax was brought in by vote off the people, and in 1997 it was reconfirmed by vote. They froze the tax at the 1995 levy on business, and then they reduced the buildings tax. After they did that, almost every homeowner's taxes went down. When you look at your assessment you will see that currently almost all of the value of your house is in the building, but you have dirt underneath. After Allentown brought in the 2-rate land value tax, building permits increased. In Allentown the wealthy voted for the land tax because it preserves poorer neighborhoods and can preserve the city as a whole. The market then encourages people to do what they normally would do. Before Allentown had the LVT, Bethlehem which is near an interstate surpassed Allentown. Now Allentown has surpassed non-LVT Bethlehem.

In Altoona under the 1-rate tax everybody paid 38.4 mills, about 4% of tax rate. Now the buildings mill rate is dropped to 3% and land taxes went to 9%. The problem is that under the old system, 87% of revenue came from taxing buildings, punishing good buildings. Under the 2-rate tax, the amount of money coming in for people's services may stay the same, and we are just changing source of taxes.

In Philadelphia they are proposing to drop the tax on income. They propose to shift the tax off capital and labor (income, sales, buildings) and onto land. Josh Vincent gave an example of an LPN (licensed practical nurse) in Philadelphia who bought a house for \$20,000 and pays \$850 a year in property taxes. Under a shift to the 2-rate LVT, eliminating the building tax would cut that in half. In comparison, a triple lot that has been vacant since 1978 will pay a higher tax. The triple lot owner who lives in an exclusive town in New Jersey owns not only this but 25 other vacant lots. He can pay \$278 a year under the current property tax, but his taxes would go up to \$1200 under the LVT. The LVT forces people to do something with vacant lots, getting rid of them or building on them. Philadelphia has 42,000 vacant lots.

He showed a slide of a map of Philadelphia, with poor areas - but home owners - and some rich areas. The middle class have left. CSE is working with the faith groups, Chamber of Commerce, Sierra Club, League of Women Voters - and they agree. A 2-rate LVT would shift taxes from the water front back to vacant lots and to rich areas. Philadelphia had 2 million population in 1950, but 1.5 million now. We are losing 12,000 people a month in Philadelphia. There are fewer people living in the city to shoulder the load. The city had 1 million jobs and now is down to 750,000. Seven percent of the city is vacant lots, land that used to have buildings on it, and this is not counting abandoned buildings. When people come back into the city, everyone's taxes go down.

In Harrisburg people came back and taxes dropped. It is the only state capital east of the Atlantic where tax rates are stable. The mayor has no use for vacant lots and no use for people who live outside town determining the destiny of his city. Respond-

ing to a question about brownfields development, Josh Vincent said they always take advantage of the existing brownfields credit in Harrisburg and are seeing development apace.

The brownfields in Harrisburg are predominately old railroad land and that has been turned into commercial development with private development. They take advantage of existing brownfields legislation but are motivated to do that.

Rich Nymoen commented that ISIAAH of Minneapolis/St. Paul has been working on brownfields and housing issues. There is a big tax policy impact. ISIAAH has also been working on the LVT issue. There was a Minnesota state study done by the State Planning Agency in 1999. Josh Vincent was involved. In 2001 a bill was introduced that passed the House of Representatives, which is Republican controlled. It would have shifted the newly created statewide business property tax toward site-based taxation over a 10-year period. The reaction of the Democratically controlled Senate was that we never heard of it before. It stalled in conference committee. ISIAAH scrambled to put a campaign together and got it introduced into both houses in 2003, and it did surprisingly well. It got past the Senate and got changed into local option. It again stalled in conference committee because it was introduced too late. But it did develop a lot of discussion at least in the Senate and in our organization. We had people making phone calls to legislators, and people going down to the capitol. One of its big selling points is that it is bipartisan, with aspects of free market reform and also it's communitarian aspects.

Some lessons ISIAAH learned that we will draw on when it is reintroduced in 2004 is that it is important to have a "poster child" to explain how it works. An example is property on the east side of St. Paul that was the Strohs brewery that has been shut down for a few years and it is a multi-block site. A guy swooped in and bought it and has been sitting on it for 5-6 years. He is speculating on the site to make a profit. Just north of the site millions of dollars are being poured into a new industrial boulevard. The blue collar, working class, increasingly Hispanic and Hmong east side residents could use some economic development on that site.

Another lesson learned is that when talking about LVT, talk about the publicly created value, the value of land created by public investment like roads and investment around the private property owner. The community created value should belong to the community. There is no reason the community created value should go into private hands. LVT is sometimes referred to as sprawl taxation, and to help redevelop communities. We are now trying to do a bit more extensive organizing campaign around this. We have been meeting with some potential allies including anti-sprawl groups and the light manufacturers, the association of general construction contractors, and the redevelopment agency. We plan to get this reintroduced in 2004 and hope to get the legislation passed in 2005.

Ann Pratt is the director of the Interfaith Coalition for Equity and Justice in Connecticut. She used to do organizing in Cleveland where super (continued on page 16)

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markets shut down and left the property unused to avoid competition. ICEJ just had their first meeting October 30. A top blue ribbon commission recommended total property tax reform. Connecticut has a high property tax to fund education. The 2-rate tax was mentioned in a report. Ann Pratt attended the Georgist conference in Bridgeport, CT, where Josh Vincent did a presentation, started to talk with the city and realized this is doable. This made a lot of sense, it is revenue neutral, but we need enabling legislation in Connecticut. At our meeting we explained how would it impact Hartford, and people got excited. The Hartford Courant did an editorial and mentioned the split rate tax and mentioned our meeting. It gets mileage for your organization because it is unique.

The Hartford Courant commented on the meeting in a Nov. 5, 2003 editorial that "Some 2000 people representing 40 religious congregations in Greater Hartford met at First Cathedral in Bloomfield with two dozen state and local political leaders who pledged to work for adoption of a far reaching social agenda involving health care, taxes, and education. ... The two-tier tax would allow Hartford and other cities to tax real property at a higher rate than buildings, thus creating a strong incentive to put vacant lots and buildings to good use. The system has spurred development in other states."

Twenty legislators all signed on to introduce legislation for split rate, and six mayors support it. In Connecticut a city would need to have state legislation to say the municipality can do this. We would hold another campaign to make sure the city introduces it and how to engage the city in that. <<