



NEIGHBORHOOD REVITALIZATION

Neighborhood Revitalization and New Life: A Land Value Taxation Approach

1. JOSHUA VINCENT[†]

Article first published online: 26 SEP 2012

DOI: 10.1111/j.1536-7150.2012.00849.x

© 2012 American Journal of Economics and Sociology, Inc.

Issue



American Journal of Economics and Sociology

[Volume 71, Issue 4, pages 1073–1094, October 2012](#)

[Additional Information\(Show All\)](#)

[How to Cite](#)[Author Information](#)[Publication History](#)

1. [†]

Joshua Vincent is Executive Director, Center for the Study of Economics in Philadelphia, Pennsylvania.

Neighborhood Revitalization and New Life: A Land Value Taxation Approach

Joshua Vincent

Joshua Vincent is Executive Director, Center for the Study of Economics in ,
Philadelphia, Pennsylvania

ABSTRACT. When a neighborhood declines, the poor get poorer, crime rises, and those who can, leave the area. The tax base shrinks, so the rates paid by those least able to pay increases. The prevailing system of a low tax on land values leads to land speculation and private land banking, assuring that the landowner can hold out for a very high price for a very long time. A higher tax on land values (coupled with reduction in building taxes) creates an incentive to sell that land or do something with it rather than waiting. In cities that use land-value taxes, real-estate markets start to work again and neighborhoods recover. Clairton, Pennsylvania's adoption of a land-value-taxation system demonstrates the neighborhood revitalization to which it leads, as owner-occupied residences and multi-family units saw a relief in their tax burden. In contrast, vacant properties' contribution to the city budget tripled, providing the resources to pay for the education of Clairton's children and liberate working and middle-class families from the bonds of labor and capital taxation.

Introduction

This essay is not a debate or a defense, but rather a statement of practice derived from a theory. What success the neighborhood (that is, locally applied) role of Georgism enjoys is most often in alliance and conjunction with disparate groups and individuals. Cooperation and team building are the bywords of local Georgism.

We work with the local tax system for two reasons – first, the bad. Most cities (with a few exceptions) rely to a great degree on the property tax. As a source of revenue, it is stable, predictable and easy to administer. Unlike wage, business or sales taxes, it is hard to avoid. Yet, one part of the property tax has problems equal to other taxes on labor and capital: the property tax on buildings. Countless studies and economists have shown that high tax rates on buildings have a corrosive effect on investment, construction and rehabilitation of existing structures. Old but classic industrial and commercial properties that might have been warehoused or mothballed while waiting for a new use were knocked down by the dozen, so that the (often absentee) owner could avoid taxes. A prospective homeowner deciding where to live would logically choose a site in the lower-taxed exurbs.

Now for the good. The other part of the property tax is a tax on land values. The effects of a tax on land values are very different. First, a homeowner or a business does not create land values. The community, most often through government investment and services, creates land values. If the community creates those values, the justification for the community recouping those values is clear. Second, the current system of a low tax on land values leads to land speculation and private land banking. The holding cost of land under our current tax system assures that the landowner can hold out for a very high

price for a very long time. Third, a higher tax on land values (coupled with reduction in building taxes) creates an incentive to sell that land, or do something with it rather than waiting. In other cities that use land-value taxes, real-estate markets start to work again. Neighborhoods recover.

What is a Neighborhood?

A neighborhood is a gathering of human beings who seek the energy and solidarity that more dispersed arrangements lack. A neighborhood is a willing act of cooperation, or at least mutual toleration of sometimes-dissimilar cultures and subcultures. A neighborhood is a place – in either its origin in history or currently – where people want to be. In the modern, US sense, neighborhoods can also be known as places that are empty, declining, dangerous or poor.

A neighborhood is also an economic unit. In my experience bringing Henry George's ideas into cities and smaller towns, a neighborhood can be as prosaic as a hill or an alley, but usually it's a self-contained area bounded by several major streets with significant automobile traffic. Those streets have the shops, eateries, places of worship and civic parcels that help people decide, "This is my place," along with the all-important proviso "This is OUR place." A neighborhood contains enough people to make a viable association that has some clout at City Hall.

The size of a neighborhood once was determined by, say, the parish church and its reach. Even today, the closing of a Catholic parish in an older urban neighborhood is perceived as a sign of a neighborhood's pending demise. The existence of meeting places, churches being a notable example, is to me a crucial indicator of that cohesion

that neighborhoods provide. The future might hold fewer churches, but replacement by coffee houses and other gathering spots may provide needed stability and continuity.

The popularity of using census tracts to define places and neighborhoods is coming under scrutiny (Clapp and Wang 2005), something that from the perspective of the Center for the Study of Economics (CSE) is long overdue. Yet, our studies are by necessity based on census-tract measures of median income, so for now we are stuck with that.

In conclusion, I assert that the neighborhood ought to be small enough to create a possible link between the people that live there and those who govern, most often expressed through neighborhood watches, civic associations or homeowners' groups.

Why Do Neighborhoods Decline?

Theorists have expounded many theories as to why, some linking decline to the starvation of lending capital. Examples include VA/FHA lending for the suburbs (redlining) but not the cities and the notorious neighborhood "life-cycle" theory, which holds that abandonment of neighborhoods is a planned concept to empty out troublesome areas, in order to repopulate and revive areas that are viewed as troublesome by the established order (Metzger 2000).

Blaming racism too often gets its due, as it is simple and satisfying, especially since the turmoil of the 1960s seemed to have a direct cause and effect. A burning Newark equaled flight to Hopatcong and Hackettstown in the neat package of this analysis (Hayden 1967), but in reality the decline of Newark neighborhoods (and other US cities) was already in full swing by 1967.

This pernicious insistence on social rather than economic externalities as the cause of neighborhood decline is deeply rooted. For example, “everyone knows” that neighborhoods in decline (or extant ghettos) have a high numbers of racial minorities. Actually, while the majority of poor people in an urban setting *are* African-American or Hispanic, the majority of them live in non-poor neighborhoods (Jargowsky 1997). So it’s instructive to note that many of the neighborhoods in decline the CSE works with and in are often overwhelmingly non-minority. Although Harrisburg has an African-American population of 54.8 percent and a Hispanic share at 11.7 percent and Clairton has 28.3 percent African-Americans in its population, we can also see the struggling cities of Titusville, 97.6 percent, Altoona 96 percent, or Dubois 98.2 percent white.

A bad education system is often blamed for the decline of a neighborhood. This seems to put the cart before the horse. A decline in population and jobs has been the trigger for school closure or failure. Losing the middle class certainly triggers the decline of parent involvement in schools. Lack of parental involvement leads to decisions made by centralized school systems with little knowledge of local conditions. The half-century trend of closing neighborhood schools in the name of efficiency has led not only to very expensive transportation solutions in getting students into school, but has produced the anomie seen in the extreme Columbine-style disappearance of self-identity (Kunstler 1999).

Loss of community meeting places plays an often unquantifiable, but anecdotally powerful reminder of negative change. Before a neighborhood goes into decline, there are lodges, churches, corner stores, safe transit stops and other places where neighborhood communication and business gets done. The disappearance of these

meeting places, often replaced, at best, by Plexiglas-enclosed beer joints and fast-food counters, is an overt indicator of danger, dinginess and mistrust.

What Happens to Neighborhoods When They Decline?

The benefits and definitions of a neighborhood point us to what happens to a neighborhood when it declines. The area gets poorer. It becomes neglected by the loss of political power that poverty brings. As an area becomes poorer, crime rises. As crime rises, those who can leave do leave. Coupled with globalized competition and the corresponding loss of jobs, neighborhoods can become devastated rapidly. In Philadelphia, for example, the statistics haunt: 500,000 loss in population and 250,000 jobs lost since 1950.

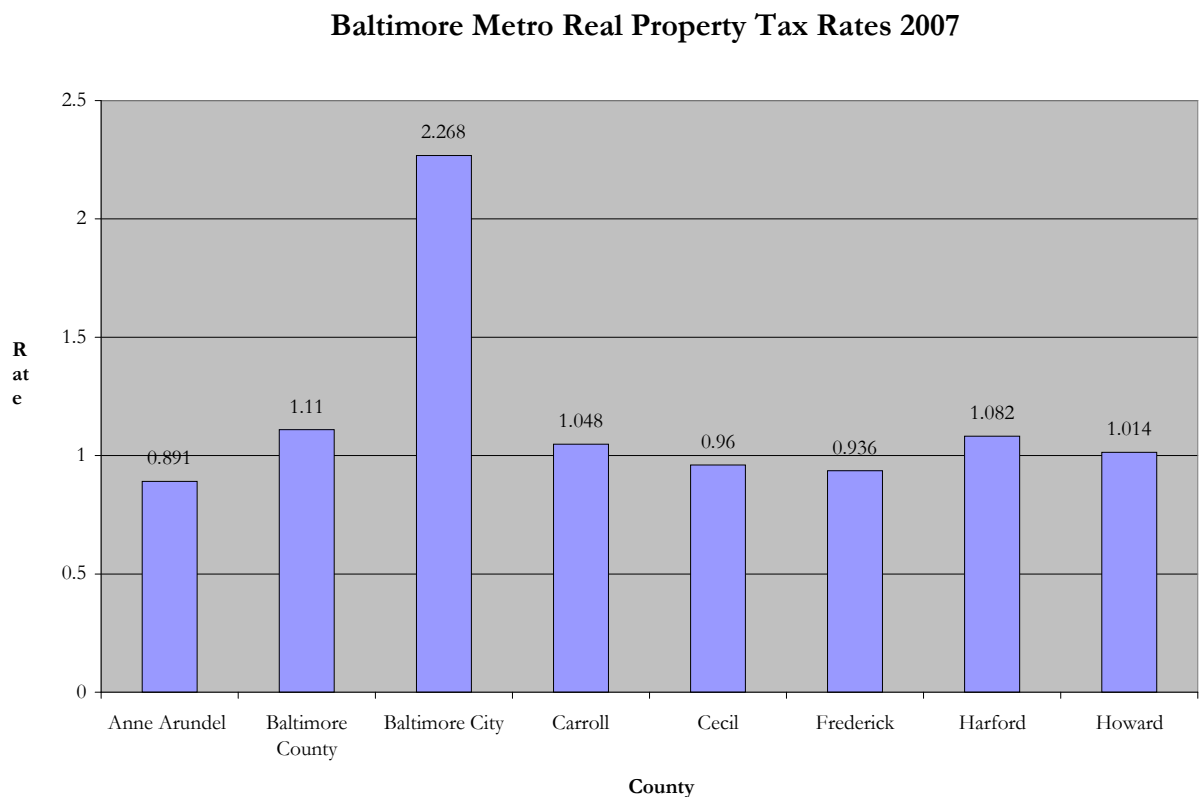
The outflow of humanity has led to vacant lots and abandoned buildings on a monumental – though negative – scale, much like the broken statue in *Ozymandias*. Philadelphia at last estimate has 40,000 vacant parcels of land, reducing citywide property values by 6.5 percent (an average of \$8000 per household in the city), costing the city \$2 million per year in maintenance and resulting in massive tax delinquencies (Econsult Corporation 2010).

So, with the loss of people and commerce what happens to those left? First, and most directly, the tax base shrinks, so the rates paid by those least able to pay increases. As the advocacy group Philadelphia Forward (2012) notes: “The typical city resident’s tax burden is more than 50% higher than the tax burden for a suburban resident at a similar income level.” The Philadelphia Tax Reform Commission (2003) goes into greater detail in their final report.

As a matter of social justice, the irony is that the declining city or neighborhood becomes cut off; as those most able to keep it healthy flee, we are left with a city of extremes, not just in rich and poor, but in simple levels of taxation (Galster, Cutsinger, and Booza 2006).

An example, readily apparent to a casual observer, is the tax disconnect between aging cities and sprawling – but “hot” – suburban counties. The Baltimore Metro region is instructive as an example because the major governmental “engines” are the counties. When Baltimore City’s property tax rates – both real and personal - are compared to surrounding jurisdictions, the problem is apparent-see charts 1 and 2 (Maryland Department of Assessments and Taxation 2012).

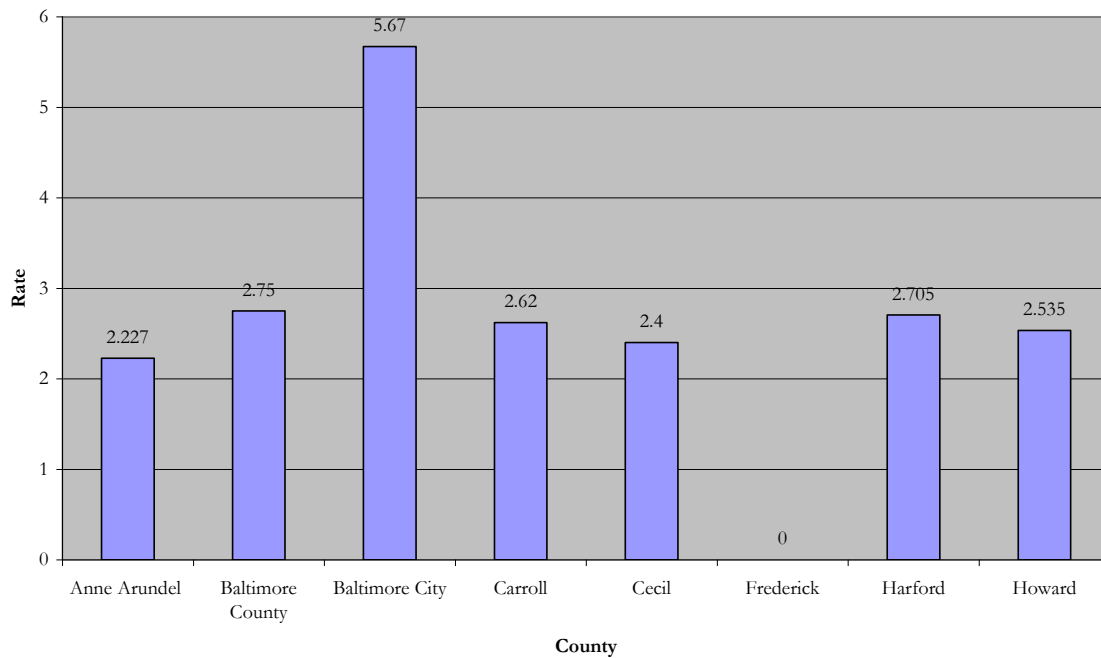
Chart 1



Source: Center for the Study of Economics

Chart 2

Baltimore Metro Personal Property Tax Rates 2007



Source: Center for the Study of Economics

Taxes on capital, savings and labor force those things to leave, in a matter of rational economic decision-making. Labor and capital markets are, like water, a liquid asset. *Like water, they flow to the level at which they are most comfortable.* So, why do taxes matter in our discussion?

1. Taxation on construction capital penalizes investment, especially of sweat equity, the small-scale rehabber and homesteader.
2. Taxation on personal property penalizes savings and investment on items particularly mobile.
3. Taxation on reinvestment signals unfriendliness to new pioneers (unless they manage to hustle handsome tax breaks).

4. Taxation forces the poor but hard-working inner city citizens to start to pay for their temerity in trying to help themselves and their families the minute they reach a level of “success” deemed worthy of the taxman’s prying hands.
5. Solutions, such as top-down, selective abatements meant to drive renewal – read “gentrification” – can force out original and long-term stakeholders in a neighborhood and city.

From the Henry George perspective, we have the dynamics of what is a neighborhood (in the traditional and citywide sense), and what are the problems facing them. The issue IS one of economics and justice, inextricably wed.

Why Does the Georgist Approach Differ from Other Tracks?

When we speak of neighborhood revitalization, it is a *Rashoman* scenario (<http://www.cosmoetica.com/B385-DES323.htm>) where determining the truth is inevitably impossible when up against human subjectivity. Experiences of recent decades, however, make it possible to identify what makes a neighborhood ripe for revitalization. Proximity to transit modes and public transit – ideally rail-oriented – makes for an attractive feature in an age of choked highways, long commutes and high gas prices. Historic or architecturally unique features of a neighborhood attract those tired of the classic cookie cutter McMansions of sub- and exurbia. A perceived and actual increase in public safety has made most US cities safer since the breakdown of police effectiveness of the 1970s; empty nesters no longer fear the urban fabric and street traffic equals new commercial opportunities.

Traditional approaches to revitalization are classically piecemeal. In Philadelphia, the effect of a ten-year tax abatement on new construction was to produce, in the years

leading up to the recent economic crisis (possibly overheating the market) a boom in construction (Chamberlain 2006). Resentment has followed closely behind in the tradition-rich neighborhoods that tried to stick it out over the years. According to a study led by John Kromer, most of the benefits of the ten-year tax abatement went to the richest developers in the city's strongest housing markets (Couch 2006). I have seen this specific program build social resentment of "yuppies" by impoverished or elderly long-time inhabitants. The forgiveness of taxes for a firm or industry to come into a town has also raised hackles, especially among the established business community still suffering from high vacancy rates.

The Georgist approach is different. We propose that the existing tax structure be used to reward all investment, past, present and future. We propose that all citizens, rich, middle-class and poor be treated with (tax) equality under the law. We propose that the one species of taxable asset that is not created by an individual – land – be the source of community resources. In so doing, we liberate not only the employer, but also the employee. We reward not the sharp rent-seeker (for our purposes, rent-seeking is the extraction of personal or corporate gain by manipulation of economics, laws or governments rather than production), but the plodding but productive shop owner.

How Does the Georgist Approach Work?

Using Pennsylvania cities as a template, this is how Georgism is translated into a specific action: the real property tax is broken apart, and reformed with an emphasis on community-created land values. The Georgist approach can be best understood when we realize most revitalization plans, whether Habitat for Humanity projects (which has built 30,000 homes in the US since 1978 – <http://www.habitat.org/intl/na/218.aspx>), targeted

tax breaks for improvements or blight designations, are meant to help the financing issues of revitalization by easing the tax burden in a narrowcasting manner.

Georgism is less an application, but a removal. Georgism removes the penalty of taxation on the properties of those least able to pay taxes. The effects are direct and immediate. The effect is on the whole community. How does this happen?

The traditional property tax garners anywhere from 45 percent to 65 percent of a city's revenue (Monkkonen 1988: 134). Traditionally levied the tax falls equally on land and buildings. Casual observers (and most officials) assume that that means half the revenue comes from land, half from buildings. This is not the case. In fact, as the data

-See Table 1-

for several cities CSE studied in 2006 and 2007 demonstrate, the equal application of rates results in nearly all the property tax coming from buildings (labor and capital):

Table 1 Tax Rates and Revenues of Various Pennsylvania Cities

City	Land Rate	Building Rate	Land Revenue	Building Revenue	Total Revenue	Percent Revenue From Land	Percent Revenue From Bldgs.
Erie, PA	0.01021	0.01021	6,262,477	20,302,309	26,564,787	23.57%	76.43%
Johnstown, PA	0.03644	0.03644	1,120,233	4,063,377	5,183,610	21.61%	78.39%
Altoona, Pa	0.03844	0.03844	1,044,318	7,091,066	8,135,385	12.80%	87.20%
Sharon, PA	0.04055	0.04055	676,307	3,637,024	4,313,331	15.68%	84.32%

Data Sources: City Assessment Rolls, Analysis by the Cewnter for the Study of Economics

The impact is clear in our experience speaking to community groups. When we ask, “when you fix your house or renovate, what happens?” the answer is swift and universal in all situations: “My taxes go up.” Similarly, when we ask, “what do you think happens to the tax bill for an absentee-owned rental property that has deteriorated or indeed been razed?” it takes a moment, but most realize “their taxes go down.” In a nutshell, that is

our tool for revitalization: reward the community for “doing” and penalize those who profit on poverty and blight.

How is the Georgist Program Used?

Nineteen jurisdictions in Pennsylvania use the land-value tax (LVT), as shown below (Table 2)

Land Tax Date	City	Land Tax Rate	Building Tax Rate	Ratio Land:Building Tax	Population
1913	Scranton	9.6701%	2.1030%	4.5982	76,089
1975	Harrisburg	3.0970%	0.5196%	5.9604	49,528
1980	McKeesport	1.6500%	0.4260%	3.8732	19,731
1982	New Castle	2.6556%	0.7508%	3.5370	23,723
1985	Duquesne	1.9000%	1.3470%	1.4105	5,565
1985	Washington	0.1076%	0.0035%	30.7514	13,363
1988	Aliquippa	8.4000%	0.1440%	58.3333	9,438
1989	Clairton	3.3000%	0.2220%	14.8649	6,796
1989	Oil City	9.1500%	2.7100%	3.3764	11,504
1990	Titusville	7.1250%	2.0173%	3.5319	6,146
1991	DuBois	8.8000%	0.2000%	44.0000	8,123
1991	Lock Haven	2.0800%	0.4120%	5.0485	9,149
1993	Aliquippa School District	20.2000%	0.3250%	62.1538	9,438
1997	Allentown	4.1950%	0.8930%	4.6976	118,032
1997	Pittsburgh Improvement	0.3710%	n/app	N/A	n/a
2000	Ebensburg	2.5000%	0.7500%	3.3333	3,351
2002	Altoona	37.3213%	n/app	N/A	46,320
2006	Clairton School District	8.7000%	0.3500%	24.8571	6,796

Table 2 Pennsylvania Municipalities Analysis Center for the Study of Economics, source:

<http://www.newpa.com/get-local-gov-support/municipal-statistics> and telephone calls to municipal finance officials, 2009

Some of the towns are more successful than others, particularly Harrisburg, which has stabilized and reversed its decline from the mid-1970s (Vincent 2005). This essay concentrates on one city that uses our program.

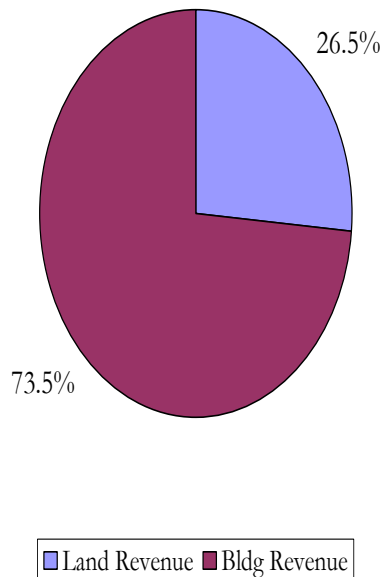
Clairton, Pennsylvania, once a prosperous steel town in Southwestern Pennsylvania, is now a struggling city with 2009 statistics (City-Data.com 2012) revealing significantly more poverty (23.0 percent) than the Pennsylvania average (12.5 percent). In 1987, Clairton was reeling. The United States Steel Corporation (USX) mill

contracted with employment at the self-contained “works” declining from 7,500, and the demolition of industrial buildings, coupled with the disappearance of businesses in the Central Business District, forced those left – the retired, unemployed steelworkers and their families - to foot the tax bill. From a post-war high of 19,650, the population plummeted to 8,491 in 2000. In the late 1980s, streetlights disconnected for lack of payment, police and fire forces slashed, and crumbling basic infrastructure from lack of maintenance led the litany of despair, entropy and corrosion.

Like the above cities, property tax revenue from structures was high see Chart 3.

Chart 3

Clairton, Pennsylvania Pre-LVT



Analysis by Center for the Study of Economics, data from Clairton Assessment Rolls provided by the Clairton School District certified assessment roll of Allegheny County,

In 1989, the State of Pennsylvania declared Clairton a Distressed Community under Act 47, which forced the City to put several measures in place to put the city back on a sound financial footing (Local Government Commission 2006: 185-188). The Pennsylvania Economy League (<http://pelcentral.org/>) and the CSE recommended land-value taxation (LVT) as a way to provide “right now” tax relief, as well as to stabilize city revenues. The City of Clairton duly adopted LVT. The tax rate adopted was 2.105 percent for building assessments and land assessments at 10 percent instead of both at 3.7 percent. LVT provided a tax shift that made city property taxes progressive: newly unemployed homeowners and retired seniors saw healthy tax reductions. The loss was stanchd and home construction resumed. Within three years, taxable building permit issuance increased 8.5 percent in Clairton, exceeding the national decline of 5.8 percent (Cord 2003:3)

However, the LVT program lacked strength in its application: other taxing jurisdictions (the schools and Allegheny County) wielded a combined greater share of tax revenue see Table 3

Tax Revenue		
Jurisdiction	Property Tax Revenue in 2006	Percent
School	\$2,666,549	62.55%
City	\$1,028,122	24.12%
County	\$568,440	13.33%
	\$4,263,111	100.00%

Analysis of percentages derived from Clairton assessment rolls, with tax rate multiplied by total assessments, certified assessment roll of Allegheny County PA

In 2005, land sitting idle was still a bane. The old downtown sat abandoned. Businesses that needed open land (rather than employees and structures) found Clairton still attractive. Think of junkyards and auto wrecking yards. Without school taxes being part of the LVT, the city portion would be able to have only a moderate effect on spurring good economic choices for Clairton, although still providing moderate tax relief for homeowners, and moderate tax increases for vacant or poorly used land. Clairton had the good luck to qualify that its School District was qualified to use LVT under Act 16 (1993) allowing school districts, which are coterminous with 3rd-class cities, to levy heavier property taxes on land values than on building values.

The beginning of change occurred when Fran Geletko, former steelworker, finance chief and public works director for the City of Clairton, became a member of the Clairton Board of Education. Convinced that LVT in its limited application was a success, he invited the CSE to give a presentation to the District in September 2004. That first meeting was lively; many basic questions about the impact of taxation on a local economy arose. The difference between a tax on movable capital (a building) and an immoveable resource (land value) became apparent.

One board member was quite concerned about the impact on United States Steel (USX). The steel firm still had a productive presence in Clairton, as the home of a coke mill that served the whole US steel industry (<http://www.uss.com/corp/facilities/clairton-plant.asp>). The board member was concerned that Clairton would seem ungrateful to USX for its continued presence. Other board members responded that USX had been appealing its assessments for years (on the buildings), was not paying its fair share of city

services, and refused to sell its hundreds of vacant acres to prospective industrial investors.

The first chance to adopt LVT for the school district in 2005 did not happen. Several factors came into play. A squabble erupted between the Allegheny County school districts and the County Executive Dan Onorato over what year's assessments to use for tax purposes. To keep the story short, The Executive wanted to use a "base year" system of assessments (2002) rather than annual updates. In the melee, LVT was lost for a year.

In addition, questions arose as to what kind of economic development would occur. CSE's experience in Pennsylvania, along with independent study by academics and policy groups over the years (Plassman 1997; Oates and Schwab 1997; Hartzok 1997), indicated that residential rehabilitation and new construction would take place only if the jurisdictions involved marketed the idea competently, and the rates were high enough on land and low enough on buildings to effect both "good" and "bad" behavior. (The City of Aliquippa – which has city and school taxes on the LVT program – has done little or nothing to market the advantages of LVT to business, industry or prospective homeowners. As a result, Aliquippa's tax shift exists in a vacuum, with anemic results and little awareness in government or without.)

In the winter of 2005, CSE returned to present a case for LVT. This time, factors weighed in favor of LVT adoption. Appeals by USX – on structures – over time had drained revenue from school operations and increased taxes on everyone else. More tax-delinquent property popped up, and new not-for-profit housing paid little or nothing in taxes. In May of 2006, the Board of Directors decided to adopt LVT.

The matter moved forward, and William Boucher, the Finance Director for the Clairton School district then had to decide what rates to set. CSE recommended, over the course of several years, that the district take very gradual steps to introduce LVT. The rationale was built on experience: when two Pennsylvania towns, Hazelton and Uniontown, brought in LVT in the early 1990s, they went too fast, introducing high land tax rates and very low building rates.

Although LVT cut taxes for most significantly, it is axiomatic that the squeaky wheel gets the grease, and loud complaints from downtown landowners reversed LVT in both cities after one year. Similarly, in Connellsville, Pa. the quick shift to high land rates led to enmity from downtown vacant lot owners that never went away, to the point that LVT was finally done away with in 2003 by a neophyte city administration under pressure from a coalition of business leaders even though many saved greatly with LVT.

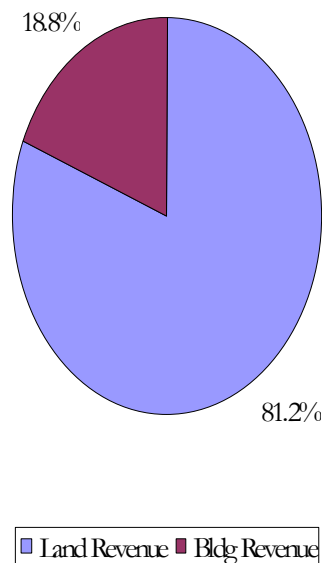
After a close examination of the impact of the actual tax, Mr. Boucher decided that putting the tax rates in harmony with the city tax was preferable, and would provide dramatic, significant tax reductions for those least able to afford it. There have since been mighty objections from vacant and poor land-use owners, but the district and Mr. Boucher are so far standing firm, essentially chiding and shaming those that have been taking from Clairton for years, and not giving back.

In June 2006, LVT rates were set at 75 mills on land values and 3.1 mills for buildings. In one move, the school district went from 26.5 percent of revenue from land to 89.6 percent. Combined with the city LVT, the rates are 104 mills on land (10.4%) and 4.32 mills on buildings (.432 percent). Even with the obsolete Allegheny County

Property tax in the mix, the revenue “take” from land is currently 81.2 percent, as can be seen in Chart 4. If there were no LVT, the revenue from land would be 26.5 percent.

Chart 4

Cairton, Pennsylvania Post-LVT



Analysis by Center for the Study of Economics, data from Clairton Assessment Rolls provided by the Clairton School District certified assessment roll of Allegheny County,

PA

Make no mistake: the recent adoption of land-value taxation by the School District of Clairton to complement the City's 1989 adoption has turned the traditional property tax on its head. This action also puts LVT advocates on notice: if LVT in a localized setting is to have an impact, it had better happen here. The ground is fertile. We have a city government and a school board that seems to understand LVT, and wants to use it as an economic development tool and as a way to free the vulnerable from the taxman's hand.

In Allegheny County, indeed in the SW Pennsylvania region, Clairton now has the lowest tax burden on labor and capital, with a large amount of developable open commercial/industrial land, as well as a downtown that is at present woefully underused. The opportunity for Clairton is as great as it has been for decades.

Theory Meets Reality: the Numbers

LVT is supposed to be a fairer tax, meant to reward work and investment and help forgotten neighborhoods. What is the actual outcome? What happens when we look at the city/school tax bill of various properties and classes? To find out, CSE and Clairton studied the assessed values provided by Allegheny County, PA, which create the only legal assessed real estate values for Clairton

(<http://www.county.allegheny.pa.us/opa/index.aspx>). The comparisons in this section are between the traditional property tax rates of 29.5 mills (or 2.95 percent at full market

value as determined by Allegheny County, Pa.) and the rates at the time of writing of 103 mills on land values (10.3 percent) and 4.32 mills on building values (.0432 percent).

Residential

CSE's parcel-by-parcel study of residential property confirmed that homestead (owner-occupied) properties benefited significantly more than absentee-owned (that is rental) properties. There are 3,319 residential parcels in Clairton. Like many older cities in trouble, the number of owner-occupied (OO) homes dropped from the industrial era. 48 percent are now OO, while 52 percent are absentee-owned (ABS), as determined from the "Homestead" key in the assessment roll.

Under LVT, 69.3 percent of OO properties see at least some reduction in tax burden, while only 56.4 percent of ABS sees a reduction (Chart 5). This may confirm the anecdotal assertion that absentee landlords put little investment into the building, while an owner does. The raw dollar shift in tax burden show greater benefit to OO: the average savings is \$283 annually, and the median is \$256. With ABS, the average reduction is \$271 and the median is \$236 (Chart 6). Many of these units – OO and ABS – are actually abandoned shells, so the shift would be greater if more care taken with assessments.

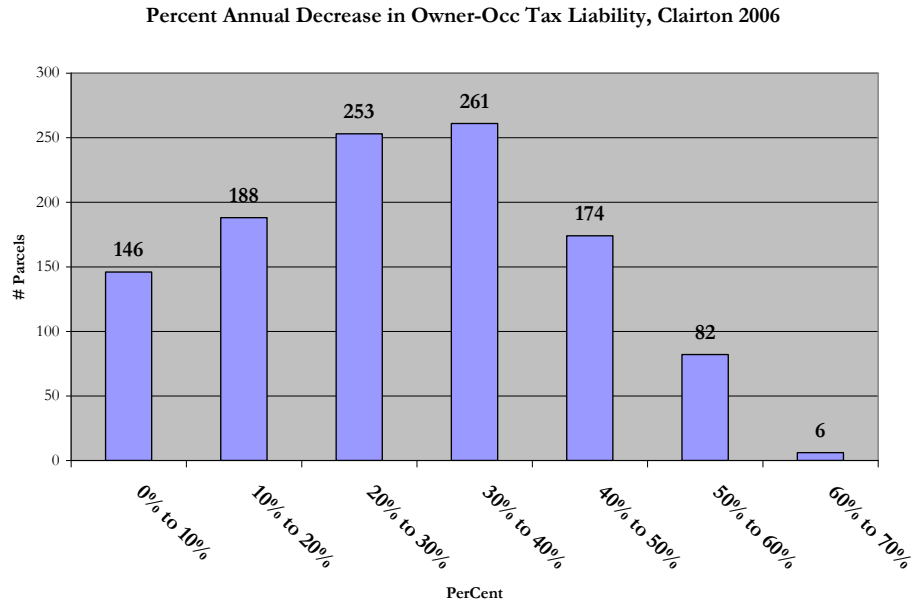


Chart 5, Analysis by the Center for the Study of Economics

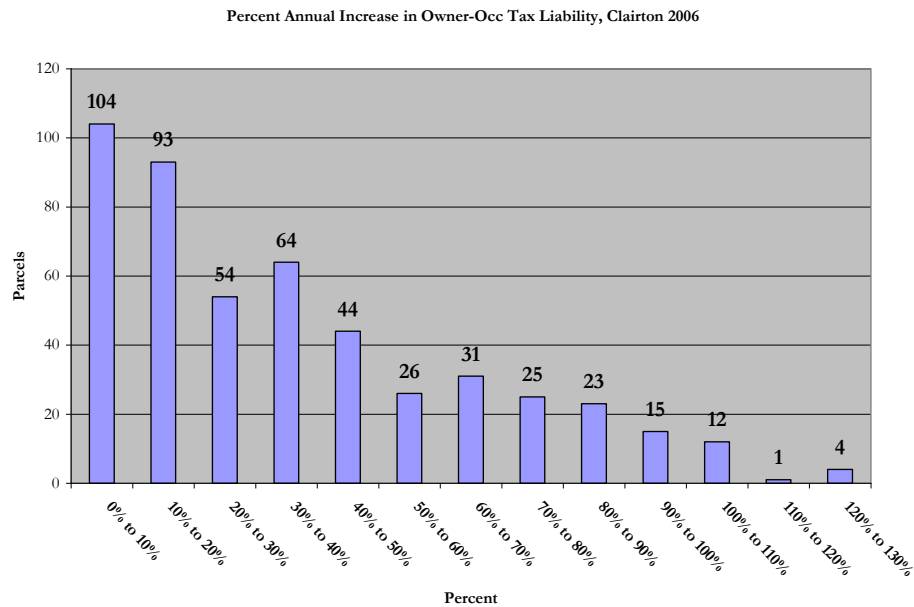


Chart 6, Analysis by the Center for the Study of Economics

Multi-Family

With 886 properties, multi-family units ranging from two-family to four-family are a significant component of the housing inventory. With the presumed intensity of lot development, there is no surprise in the 75.6 percent of the parcels that see a tax reduction, with the class seeing a 37 percent average and 40.5 percent median drop in annual tax burden.

Tax progressivity has a home in Clairton. Yet, as the Center always recognizes: “If all these people save, who pays?” This oft-heard note in defense of the status quo deserves examination, particularly with corporate-owned vacant, industrial and vacant land sites.

Commercial/Industrial

After the collapse of the industrial era in Clairton, and the resulting decline of the residential sector’s presence and buying power, it is not surprising to learn that most of the non-residential sector is now raw land, or abandoned shells on St. Clair Avenue and 3rd Street. This reality agrees with LVT theory in practice: of 455 parcels, 41 percent are vacant land, 38.7 percent see increased tax, and only 20.3 percent see a decrease. The biggest savers are big apartment complexes, and some remnant retail.

Vacant Land

The major rationale for elected officials adopting LVT is the increased tax incidence on vacant land. The last thing a town in trouble needs is a tax system that subsidizes private-land hoarding and speculation. Indeed, redevelopment plans often go

awry when private-land banking co-opts civic land banks. Of vacant land parcels 100 percent, of course, see an increase. The value of vacant land in Clairton is \$3.9 million or 12.2 percent of all taxable land value; yet without LVT it comprised only 4.3 percent of property-tax revenue.

The current LVT rates increase vacant land tax levies by 249 percent. That results in vacant land now paying 15.15 percent of property tax revenue. With land values generally under-assessed, this revenue share could be much higher. Most of that liability is assumed by Clairton's largest landowner both in size and value, United States Steel (USX). Even though USX lowered its building assessment over the past few years (Vincent 2006), the land value was still significant. USX owns a significant share of total land value that is taxable-see Chart 7.

Chart 7

United States Steel: Share of Total Land Value, Clairton, PA

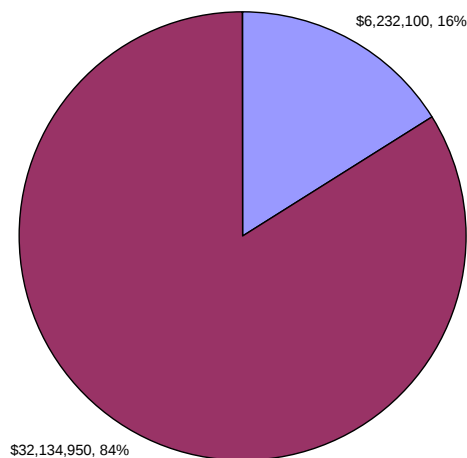


Chart 7, Analysis by the Center for the Study of Economics

The 25 vacant parcels will pay for the education of Clairton's children, and liberate working and middle-class families from the bonds of labor and capital taxation.

Conclusion

The efforts to induce LVT are met with many barriers. Political inertia, bad property assessment and the lack of voice that poorer communities and neighborhoods have all militate against quick or easy adoption of the Georgist approach. Yet, the trend has been inching upwards as far as recognition of what the Georgist approach is, and where it can spread, and how the potential benefits to those communities that need help can be demonstrated by analysis of urban datasets.

References

Chamberlain, L. (2006). "Tax Breaks Drive a Philadelphia Boom." *The New York Times* (January 8). Available at http://www.nytimes.com/2006/01/08/realestate/08nati.html?_r=1&ex=1184904000&en=8fec50435263bc46&ei=5070

City-Data.com (2012). "Clairton, Pennsylvania (PA) Poverty Rate Data – Information about Poor and Low-income Residents." Available at <http://www.city-data.com/poverty/poverty-Clairton-Pennsylvania.html>

Clapp, J.M. and Y. Wang (2005). "Defining Neighborhood Boundaries: Are Census Tracts Obsolete?" *Social Science Research Network* (August 26). Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=478642.

Cord, S.B. (2003). "22." *Incentive Taxation*. Available at http://heartland.org/sites/all/modules/custom/heartland_migration/files/pdfs/12508.pdf.

Couch, A. (2006). "Toward a More Equitable Housing Policy." *Philadelphia Independent*

Media Center. Available at <http://www.phillyimc.org/en/node/45119>.

Econsult Corporation (2010). *Vacant Land Management in Philadelphia: The Costs of the Current System and Benefits of Reform*. Philadelphia: Penn Institute for Urban Research.

Galster, G., J. Cutsinger, and J.C. Booza (2006). "Where Did They Go? The Decline of Neighborhoods in Metropolitan America." The Brookings Institution. Available at http://www.brookings.edu/reports/2006/06poverty_booza.aspx.

Hartzok, A. (1997). *Pennsylvania's Success with Local Property Tax Reform: The Split Rate Tax*. Scotland, PA: Earth Rights Institute. Available at <http://www.earthrights.net/docs/success.html>,

Hayden, T. (1967). *Rebellion in Newark: Official Violence and Ghetto Response*. New York: Vintage Books. Washington, D.C.:

Jargowsky, P.A. (1997). *Poverty and Place: Ghettos, Barrios, and the American City*. New York: Russell Sage Foundation.

Kunstler, J. (1999). "Where Evil Dwells: Reflections on the Columbine School Massacre." Presented at Congress for the New Urbanism, Milwaukee, June 6. Available at http://www.kunstler.com/spch_milw.html.

Maryland Department of Assessments and Taxation (2010). *2011-2012 County Tax Rates*. Available at <http://www.dat.state.md.us/sdatweb/taxrate.html>.

Metzger, J.T. (2000). "Planned Abandonment: The Neighborhood Life-Cycle Theory and National Urban Policy." *Housing Policy Debate*, 11(1): 7-11.

Monkkonen, E.H. (1988). *America Becomes Urban: The Development of U.S. Cities and Towns 1780-1980*. Berkeley: University of California Press.

Local Government Commission (2005). "Municipal Fiscal Distress and Recovery." In *Pennsylvania Legislator's Municipal Deskbook*, 3rd edition. Harrisburg: Pennsylvania General Assembly. Available at http://www.lgc.state.pa.us/deskbook06/Issues_Taxation_and_Finance_11_Municipal_Fiscal_Distress.pdf.

Oates, W.E., and R.M.Schwab (1997). "The Impact of Urban Land Taxation: The Pittsburgh Experience." *National Tax Journal* 50(1): 1-21. Available at [http://ntj.tax.org/wwtax/ntjrec.nsf/893168271A5088AD85256863004A5942/\\$FILE/v50n1001.pdf](http://ntj.tax.org/wwtax/ntjrec.nsf/893168271A5088AD85256863004A5942/$FILE/v50n1001.pdf).

Philadelphia Forward (2012). "Philadelphia Needs Tax Reform." Available at <http://www.philadelphiaforward.org/node/38>.

Philadelphia Tax Reform Commission (2003). *Final Report: November 15, 2003*. Available at <http://www.philadelphiataxreform.org/>.

Plassman, F. (1997). *The Impact of Two-Rate Taxes on Construction in Pennsylvania*, Ph.D. dissertation. Blacksburg: Virginia Polytechnic Institute and State University. Available at <http://scholar.lib.vt.edu/theses/available/etd-61097-13834/>.

Vincent, J. (2005). "Land Value Property Tax under Consideration in Seven States." *Heartlander* (June 1). Available at <http://news.heartland.org/newspaper-article/2005/06/01/land-value-property-tax-under-consideration-seven-states>.

_____. (2006). "Pennsylvania School District Embraces Land Value Taxation Reform." *Heartlander* (December 1). Available at <http://news.heartland.org/newspaper-article/2006/12/01/pennsylvania-school-district-embraces-land-value-taxation-reform>.