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ALTOONA: AS THE ERA OF TAXING BUILDINGS PASSES, YARDSTICKS TO MEASURE SUCCESS

By all accounts, Altoona ought to be like other post-industrial communities in Pennsylvania and the Rust Belt yet it's not. The city has taken its hits since the end of World War II. It has lost the industrial base for which it and dozens of cities like **Detroit**, **Youngstown** and **Rochester** made it powerful and prosperous; a place where anyone could get a job, and the strong bonds of community made the unhealthy by-products of that era at least seem acceptable.

A bi-partisan mayor and city council sought options that would lead Altoona's homeowners, families, and businesses through the barriers of Pennsylvania's tax system that placed them under the specters of declining commerce thereby leading to a diminishing tax base. The Center for the Study of Economics (CSE) submitted a report citing land value tax as the catalyst.

The bold step of implementing LVT through a 10-year process was realized in 2001. City leaders vowed to reduce the building tax to a point where someday it would disappear. CSE vowed to continue working with officials on rates and use this catalyst to remove other limiting taxes such as the wage, business and nuisance taxes that Altoona imposes.

In 2011, Altoona will be the first city in the US where landowners will see that elimination of the building tax. Challenges remain for this city yet this historical time is a valid time to examine what trends with neighboring towns Altoona does not share. The question is: can the case be made that LVT has started to help Altoona?

Has the land value tax made a difference?

Purely vacant land on the tax rolls has paid a fair share of the city's tax needs. Vacant or severely blighted parcels were approximately 3,890 in 2001. These lots made up 16.4% of all parcels in the city; they paid only 1.4% of their share. LVT proceeding to no tax on buildings in 2011 that share will increase to 11.4%. That shifting was a benefit to the residential sector of the city, which made this – observation politically feasible.

Revenue Stability

One component of LVT is the ability to provide a tool that is revenue-neutral that is to say it won't cost government precious revenue. These are the property tax revenue streams over the past dozen years for Altoona with a *linear* trend line:

PLCM CONFERENCE RECAP



Steve Cord, PhD (right) with Washington, PA's Mayor Sonny Spossey's wife

The 111th Annual Convention of the Pennsylvania League of Cities & Municipalities (PLCM) provided the IT team with a central location connect as well as reconnect with many of the decision makers in Pennsylvania.

Although many city and municipal leaders in PA would have benefited from the PLCM's agenda, "*Forging Community Partnerships for a Stronger Tomorrow*", attendance at this year's conference was sparse.

IT team members – Steven Cord, Joshua Vincent and Mark Speirs had the opportunity to introduce land value taxation to many new lawmakers in attendance as the light

turnout did not diminish the crowds at the IT booth. Inquiries and requests for ongoing discussion were promising.

Cities and municipalities adopting change know it is a tremendous undertaking - an undertaking mandating focus on tax policies that will garner a larger slice of the economic pie.

Land value taxation unlike a sales tax or other regressive taxes provides revenues and incentives to those cities and municipalities that inevitably are handed the smallest slice of that pie when economic development dollars are distributed. Our IT team in attendance at the conference was able to convey and provide empirical as

well as concrete evidence to those they met with that LVT works.

We are pleased to say that many meetings have been and are being scheduled with various PA City and Municipal decision makers the team met with during this conference so we will be updating you in future IT publications.

Mark Speirs

Barbara Maloney

CSE Staff Members

LVT SUPPORTS COMMON INTEREST



New London, CT

Any change relative to the direction of land tax policy in US cities, towns, and boroughs is a tremendous undertaking. Resistance most often is encountered by individual speculators, vacant land hoarders or parking lot barons whom benefit from the current tax policies. Self-interest groups work diligently to undermine the common good while pocketing revenues that would otherwise be used to increase municipal coffers, maintain vital community services, and more.

For example, New London, CT was granted a pilot for LVT

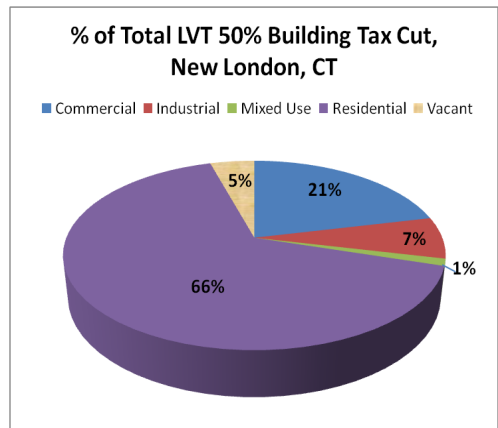
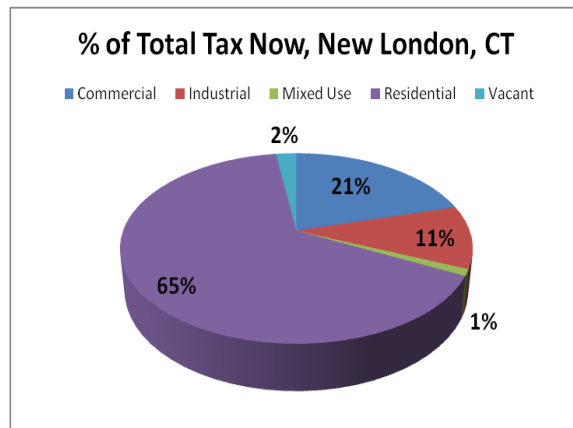
although special interest groups have stymied immediate implementation. As depicted in the charts below, LVT will provide an equitable tax policy to the residents of New London, CT. LVT eliminates special interest while placing emphasis on common interests not simply the privileged few.

In 2010, the majority of US cities, towns and boroughs are reaching for their largest portion of the economic pie. New London, CT has an opportunity to regain their once viable community but viable communities are cultivated though common

interest not self-interest. CSE cannot foster an attitude of common interest; we can provide empirical evidence as well as in-depth studies that show LVT would be beneficial to the whole community within New London, CT.

Land Value Taxation is a tax policy that supports common interest not self-interest.

Barbara Maloney
CSE Staff Member



TAX POLICY PARADIGMS

The Center for the Study of Economics (CSE) has the fortunate circumstance of being a vision-driven, value-guided organization that actually implements, where appropriate, an economically viable land tax policy. Ideas expressed by Henry George, author of *Progress and Poverty* (1879) are CSE’s foundation.

The jurisdictions we have served over the past 30 years in Pennsylvania have led cities, towns, and boroughs throughout the US and abroad to inquiry. Connecticut, New York, and Ohio like Pennsylvania see and appreciate the connection between thinking and doing. They are beginning to look at land tax policy from another vantage point – societies of cooperation and mutual aid. Contrary to dominant paradigm

shifts, implementation of LVT in **Aliquippa, Allentown, Altoona, Clairton School district, Dubois, Duquesne, Ebensburg, Harrisburg, Lock Haven, McKeesport, Scranton, Titusville and Washington, PA** did not strain the stress tolerance of the residents or businesses within those jurisdictions. In the majority of LVT jurisdictions, our studies show an increase in building permits issued; the majority of homeowners realized a tax reduction, land hoarders paid their fair share without penalty to the less privileged land owner, and inaccurate assessments were reduced as the reduction in reliance on the building portion of the property tax declined.

Local government tax policy driven by the clash of special interest at the expense of the

common good rendered the unintended consequences of decline, sprawl, and privilege. LVT has resolved these aberrations within the jurisdictions that have implemented it.

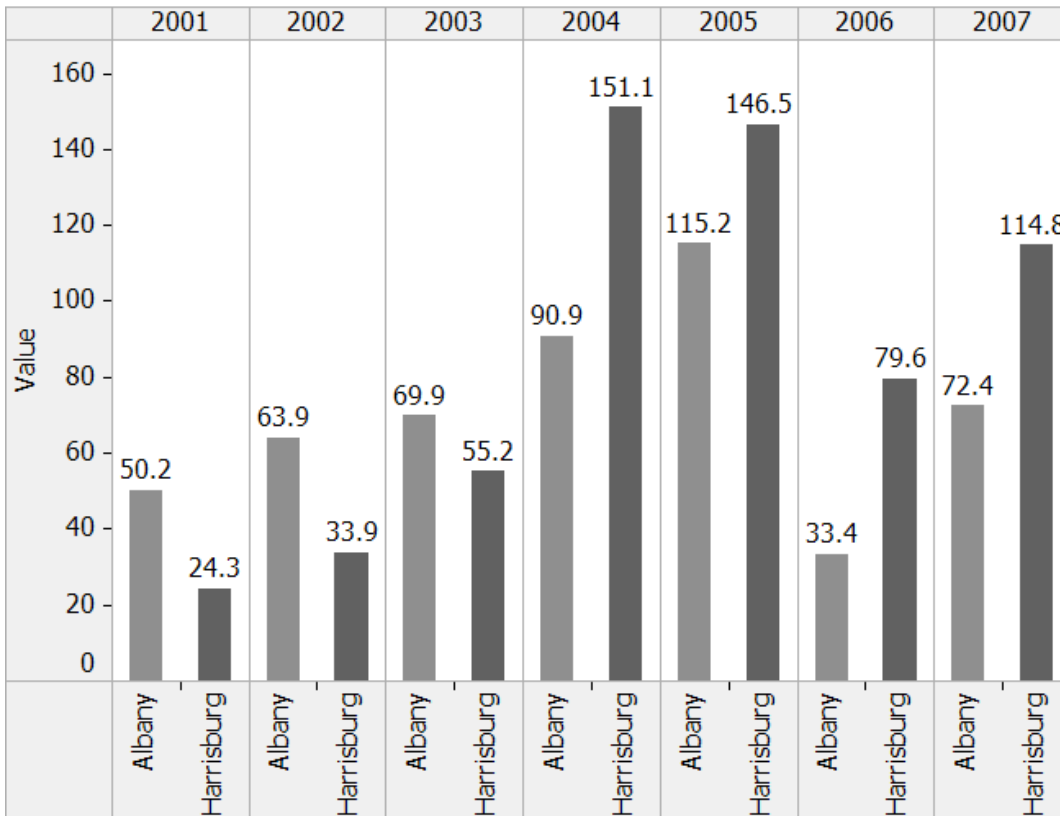
The table below shows two Mid-Atlantic State Capitol post-industrial river and railroad cities, **Albany, NY** and **Harrisburg, PA** suffered disinvestment and substantial increases in nontaxable land during the housing boom.

Because Harrisburg, PA had enacted LVT in 1975, the city was well positioned to take advantage of the building boom on the horizon.

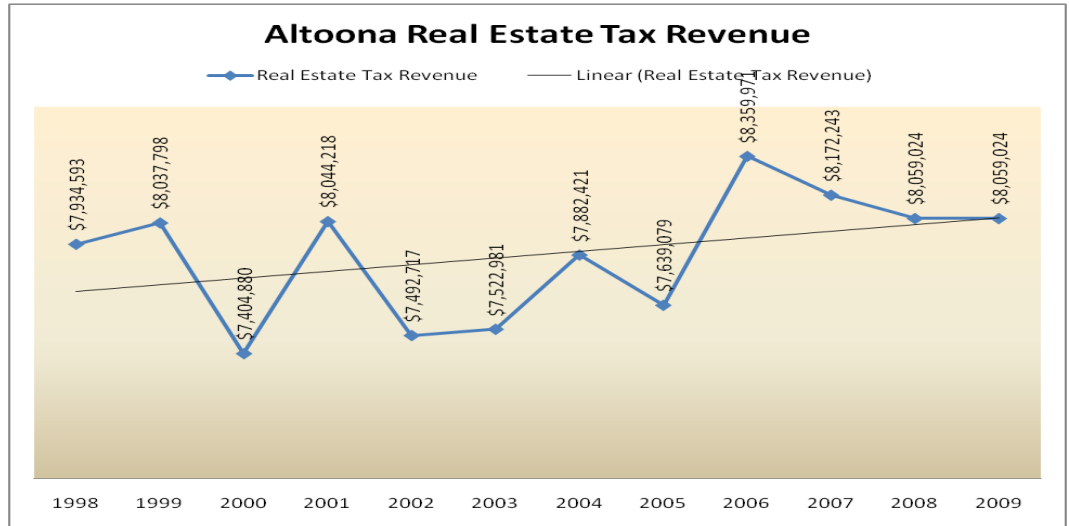
Barbara Maloney, CSE Staff



Per Capita Residential building Permits, Albany vs. Harrisburg after 2002 LVT Expansion.



“Altoona had 7.5 % of its housing units vacant, compared to Johnstown’s 13%. The US Average was 9%. In 2008, Altoona had 10.8% of housing units vacant, with Johnstown increasing to 18.9%. Altoona was better than the US Average in 2008 of 12%.”



How does Altoona compare with to its neighbors?

We chose **Johnstown, PA** for our comparison community since both served as company towns to a large degree, Johnstown primarily a steel center, Altoona primarily a railroad shop, manufacturing and transit center for the goods of industrial America. Although Johnstown boasted a smaller population, both are in counties that have lost jobs and population for some 40 years. Both were teetering in the late 1990s as business firms, and younger generations fled to tax-friendly climates.

What other factors have changed for both cities in the past decade? Using Census data, this is explored along with a neighboring community; **State College** that can be used as a control, as it is so demographically and economically different. The American Fact Finder (AFF) at the US Census Bureau provides unbiased information. The years available are 2000-2008. The housing and economic indicators are particularly useful.

Residential Construction: Numbers and Values

According to the Census measurement, Altoona’s total residential housing units built between 2000 - 2008. For Johnstown, the number was 55. Altoona surpassed Johnstown by a significant 8.6 times.

The median value of homes in Altoona compared to Johnstown has diverged significantly. In 2000, the median value of residential single-family homes in Altoona was \$58,000, compared to Johnstown’s \$36,200. In other words, Johnstown lagged in median home value by 37.59%.

By 2008, the median price of single-family homes in Altoona was \$78,500, with Johnstown losing ground at \$41,400. The percentage deviation from Altoona was now 47.26%.

Homeownership versus Abandonment

In 2000, the US average of vacant housing units was 9% where as Altoona’s rate was 7.5 % and Johnstown noted 13%. By 2008, the US average moved to 12%, Altoona’s increased to 10.8% and Johnstown’s vacant housing units spiked to 18.9%.

Altoona’s home ownership rate in 2000 of 65.9% was in line with the US average of 66.2%. In 2008, Altoona’s home ownership was almost the same at 65.7% as was the US average of 67.1 %; Johnstown fell from 50% owner-occupied to 46.7%.

The threat of foreclosure is currently a reality everywhere, especially in places with lower incomes, 2nd mortgages or recession-bound areas. Yet, Altoona seems to defy this trend.



Altoona, PA

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Including August 10, 2010 information from Foreclosure.com it is a straightforward matter to compare how communities are affected by this crisis.

Again, the analog city of Johnstown was used but included an “outlier” - State College, a borough one hour from Altoona but home to guaranteed wealth and prosperity thanks to the presence of Penn State. The results are worth reporting.

Twenty-two out of 45 homes in Johnstown are facing forms of foreclosure in **Cambria County**, yet the city has only 14% of that county’s population.

Altoona, on the other hand, has 35.7% of **Blair County**'s population. Twenty-one of the 50 homes are in fiscal straits. The foreclosure issue does not seem to have disproportionately hit Altoona.

In the neighboring borough of Centre County, State College has 76 of the county’s 74% foreclosure listing, while making up only 26% of the county population.

Household Income

Relying on AFF data, Median Household income in Altoona rose from \$28,248 to \$35,156 (inflation adjusted), an increase of 24.45%, while Johnstown’s change was \$23,549 from \$20,595 (14.34%).

In the measurement of families living below poverty level, both cities increased, but Altoona’s rate of increase was 16.2% compared to Johnstown’s 24.3%.

Other Factors?

Tax policy is at the heart of competitiveness amongst regions, counties, and cities. Economic development officials are well acquainted with “the race to the bottom.” Statewide incentives such as Keystone Opportunity Zones (KOZ), Tax Increment Financing (TIF), and Local Economic Revitalization Tax Assistance Act (LERTA) all of which expire, unlike an LVT which does not impose such limits. Johnstown does have several KOZ zones, and Altoona uses the KOZ program. What differs is that Altoona provides LVT.

Altoona’s LVT doesn't have a limited life span like a KOZ. KOZ properties under LVT will realize an increase yet minor in comparison to what would occur without LVT.

Further Actions?

Assessments in Blair County, PA are among the worst in the state; not being up-dated since 1958! CSE encourages Altoona officials to continue to push for annual assessments and consider actions that would allow their school district to enact LVT. Remember, small business once made up the backbone of Altoona’s avenues and boulevards, room must be made for them at the table of low taxes.

Ongoing Research

1. Perform meaningful in-depth research on building permits from same-source towns.
2. Compare such factors as changing density of population, more square footage of buildings, decline in blight or vacancy and government-held land.
3. Examine business permit issuance, and conversely business closures.
4. Study the number of code violations over the years. Have they increased or declined?



Altoona, PA

“Who can offer the best tax breaks and abatements to get those badly need jobs?”

CSE WORKSHOP AT THE APA PA ANNUAL CONFERENCE

CSE's staff members, Joshua Vincent and Mark Speirs will partner with the director of Just Economics, LLC to provide a workshop at the **October 3, 2010** convention for Pennsylvania's American Planning Association.

"Land Value Taxation is an essential component in tax policy that encourages economic development and ensures sustainable Smart Growth strategies."

Blight, vacant lots, and underutilization of prime urban land are obstacles to the achievement of smart growth objectives and to economic development. This session is meant to introduce participants to Land Value Tax (LVT) and show how it can be used to overcome these obstacles. The 17 jurisdictions in PA where a land value tax has been implemented will be examined to illustrate its capability in fostering Smart Growth objectives. Questions and concerns of its effectiveness, such as its ability to protect open space and contain urban sprawl, will also be addressed.

Copies of our presentation will be made available on our websites, www.urbantools.org and www.ourcommonwealth.org no later than October 5, 2010.

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