

My name is Tom Murphy. Presently I work for the Urban Land Institute but prior to this I was Mayor of Pittsburgh, PA from 1994 -2006. In addressing the 5 goals of the D.C. Tax Revision Commission: Providing fairness, broadening the tax base, a more competitive tax policy, encouraging business growth and simplifying the tax code, I would encourage the Commission to look at Pittsburgh's experiences with a dual property tax system. Pittsburgh had such a system in place from 1913 until 2001. It was eliminated not because we found it ineffective but rather because of a countywide re-assessment that shifted too much of the value of improvements to the land.

The idea is simple in concept. Most of the value for property tax purposes is placed on the land (In the mileage rates in Pgh the land values was 6 times higher than the value of the improvements). The theory behind this system is that those with vacant or underutilized properties would be more likely to develop their vacant land since the largest portion of the property tax is on the land. While this system has the biggest impact on downtown real estate, it also has a positive impact in neighborhoods. One hears often from smaller landlords and property owners, "If I fix my buildings up, my taxes will go up" as an excuse not to do necessary improvements that raise the value of entire neighborhoods.

Unlike DC, from the 1970s until recently Pgh. had a very weak and declining real estate market. In 1983 the Pgh. region hit bottom. At the time with a 17% unemployment rate and 50,000 people/year leaving the region. Over 500,000 left the Pgh region between 1970 -1990. In DC with a robust real estate market a dual tax system would be much more effective in encouraging development and revitalization.

Over the years Pittsburgh's tax plan has been credited with encouraging downtown investment, even in the midst of a declining economy, of providing a fairer taxing method rather than raising other taxes such as the wage tax and acting as a stabilizing influence on neighborhood values.

It is a system that should be part of your study. I regret that we no longer have it in Pgh.

Thank you.