



WAS THE PITTSBURGH 2-RATE TAX SABRE-TAGED?

(editor's note: The following article was put together from three panel presentations on 8-31-01 at the Council of Geogist Organizations conference held in Pittsburgh, PA.)

Pittsburgh's City Council had to switch from the 2-rate tax rate back to a unified tax rate, at least for a couple of years. This was because Sabre, a private appraisal company, had botched assessments so badly that if taxes had been imposed for year 2001 based on Sabre System's valuation, there would have been barricades thrown up in middle class and upper class neighborhoods like Squirrel Hill. According to Kevin Forsythe of the City Controller's office, the botched Sabre valuations came out during the heightened atmosphere of the mayoral campaign for Pittsburgh.

The 2-rate proponents tried to alert Sabre and the Allegheny County officials who hired Sabre, of the importance under the 2-rate tax of paying special attention to land values. Yet the resulting land valuations were so inequitable that Sabre now is being sued, and a new firm has been hired to repair the damage.

When the Sabre assessments were first made public, past president Dr. Steven Cord and current president Joshua Vincent of the Henry George Foundation of America and of the Center for The Study of Economics, went in to talk to the staff of the Pittsburgh Mayor and to some of the top brass at the Controller's office. Mayor Murphy wanted to keep the 2-rate tax, but the City Council overturned the differential tax rate in his preliminary budget.

Mayor Murphy's mayoral opponent in the 2001 Democratic primary election seized upon the reassessment issue and attacked the land tax, announcing that doing away with the 2-rate tax would make downtown office buildings crowding into Pittsburgh for the past 30 years pay "through the nose." Never mind that Pittsburgh's traditional business-friendly land tax had kept rents low for tenants and productive businesses. Mayor Murphy also found himself in a bind, having extended himself fighting for new sports stadiums, and in need of support from Allegheny County Chief Executive Jim Roddey.

According to the Center for The Study of Economics, Roddey disparaged the tax policies of the four 2-rate tax cit-

ies in Allegheny County (Pittsburgh, Duquesne, Clairton, and McKeesport). He essentially demanded they stop using the system that has seen lowered taxes for most and economic development without costly giveaways or sweetheart deals. It was the Republican County Chief Executive and previous County officials who had hired Ohio-based Sabre Systems.

Dan Sullivan of the Center for Local Tax Research had been calling Sabre and asking them what they were doing on land assessments and he had been assured everything was fine. CSE also opened a correspondence with George Donatello of Sabre, who also promised that land valuations would be given strict attention. The valuations defied common sense, Sullivan said, upon finally getting to see the Sabre's figures.

The assessments are run by Allegheny County, and only about a fourth of the county's population is in the City of Pittsburgh. The campaign contributions for Republican candidates to county officials primarily come from people who own property in the city but live in the suburbs. The county has always been our obstacle, said Sullivan.

Josh Vincent, current president of HGFA and of CSE, and Steve Cord had talked to Sabre Systems and pointed out that four municipalities (Pittsburgh, Clairton, McKeesport, Duquesne) use the 2-rate property tax to levy millage on land and buildings. There are 130 municipalities in Allegheny County.

The new Republican county Commissioners, Dunn and Crammer, who took office at the beginning of 1996, over the course of their first year in office, fired 85 county assessors who were apprenticed and qualified and familiar with the territory. Sabre, a former computer data base company, brought in their tax techies and hired people who weren't qualified or trained. Sullivan said a Sabre staffer was measuring his back yard with no equipment, until Sullivan went and got a tape measurer to help him. Since Sabre is being sued, its executives aren't admitting what methodology they used. Tax lawyer Frank Peddle of Ontario observed that Sabre apparently didn't care about the split between the land and buildings. Rather, they presented property values for each parcel that they thought they could defend in court. Usually it is in the depreciation tables that things get screwed up, which will result in land for commercial or residential properties being thrown off.

Sabre tried to assign land (continued on page 5)