

Land Speculation in the Public Interest

Though no ideal solution, this retaliatory or defensive action by Rockville, Maryland, springs from the recognition of the injustice and inadequacies of the present system of land tenure



OUR problem is that we cannot extract anything from the increased land values we create through public investment and development."

The speaker is Robert Lanham, city planner for Rockville, Maryland, a Washington, D.C., suburb whose rapid population growth after World War II fueled an equally spectacular growth in land values and land speculation.

The Rockville experience is a casebook example of what has happened to metropolitan cities throughout the United States. Its present population, about 40,000 is nearly five times greater than it was in 1950. In 1952 an acre of Rockville was assessed at \$4,630; in 1970 at \$26,000.

When Lanham says "we," he is speaking for thousands of fellow municipal administrators who have seen their efforts to keep municipal services abreast of fast growing populations result in the enrichment of land speculators.

"The increase in values brought about when we invest public money in streets, sewers, water lines, schools, urban renewal, and the rest goes to enormous private fortunes on which real estate speculators retire to Florida," he says.

Lanham and his bosses, city manager C. Richard Foote and deputy city manager Peter L. Cheney, believe the people of Rockville have a right to a portion of the profit their tax dollars generate. Their political overseers the Rockville City Council, share that belief.

Acting anonymously through a private agent, the city negotiated the purchase of Red Gate Farm, 152 acres in the north eastern portion of the city.

About forty of the 152 acres will be given over to industrial development. Originally, the city administration's idea was to sell the industrial parcel to a private developer. With the proceeds, the city would retire its debt on the property, that is, replace the bond funds it

for public purposes, probably recreational and have some money to spare.

That is an option Rockville may yet have to choose. But right now, Foote and company are exploring the use of another private-sector technique.

Why shouldn't the city continue to hold the industrial land, create an industrial authority, or designate the city council to be such, and then develop and leave the new industrial space?

Cheney thinks it would be a good idea for two reasons. First, the city would continue to profit from the ongoing investment of public resources which the industrial land will require regardless of whether ownership is public or private as well as from its initial investment.

Second, ownership would give the city far better controls over the use of the land than it would have through its zoning powers if the land were sold to a private interest.

Rockville, in the end, may have to take the money and run, sell the forty acres to a private developer and forget about continued public ownership. Lanham speaks of the need for care and self-restraint in setting up municipal government in what is—in this country—mostly a privately controlled enterprise, the extraction of money from land. He is responding to sensitivities that Cheney is more direct in discussing.

There probably will be, Cheney says, some public resistance to the idea of government competing with private industry. But he has a hunch that Rockville's taxpayers are capable of taking a more enlightened view of their self-interest.

"After all, who is it going to hurt?" he asks. "It won't hurt the building industry. They will still be building buildings. It won't hurt the businessman. He'll still be doing business as he did before. In fact, in the case of the building contractor, it ought to help because we will already have solved all his problems of packaging and financing the land. And it sure won't hurt the taxpayer to get back a return on the money he is laying out.

"The one group it will hurt is the land speculators," Cheney says. "They won't be able to buy land for \$10,000 an acre, try to get agricultural zoning for it and complain about the taxes they have to pay on it while they hold it waiting for it to go to \$30,000."

Asked if he thought Washington-area land speculators might campaign to throttle such a precedent, Cheney smiled and said, "They'd be crazy not to."



used to meet the purchase price. Anything above that represents its return on the initial investment. With this "profit," the city can develop the remaining 100 acres

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