

# THE LAND VALUE OF NEW YORK

## THE LAND VALUE OF NEW YORK.

### A COMPARISON WITH LONDON.

(For the Review.)

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The annual report for 1914 of the Commissioners of Taxes and Assessments of the City of New York shows that the total taxable value of property as on 1st January, 1914, was \$8,390,155,472. The sum was made up as follows:

Ordinary Land Value.....	\$4,602,852,107
Improvements (buildings, etc.).....	2,855,932,518
Special Franchises.....	404,420,311
Real Estate of Corporations.....	186,654,976
Personal Property.....	340,295,560

\$8,390,155,472

The most interesting feature of the municipal valuation in New York is the separation of the value of land from the value of improvements in or on the land, a method which has been in practice for ten years and has reached a state of high perfection. The valuation is made once a year.

The site value of land is assessed at its full selling value as are improvements. The two added together make up the value of "ordinary real estate." Land is separated in the process of valuation in order to arrive more accurately at the value of both land and improvements, but it is not treated separately for purposes of taxation, and there is only taxation of land value in the sense that all land is taxed whether used or unused. A vacant piece of land is taxed at its selling value at the rate of tax on all property. Should a building be erected on such vacant land, the building is taxed in addition and the result of making the improvement would be increased taxation.

Special franchises consist of rails, pipes, wires and the like situated in streets, waterways and public places, together with the privilege of building, maintaining and operating the public service performed by the aid of such improvements. The special franchise, therefore, includes both the tangible property in streets and public places of the character described and the value of the privilege of operating it.

Real estate of corporations consists of all improvements in streets, waterways and public places other than special franchises, also of all rights-of-way of public service corporations which extend through more than one block. The Deputy Tax Commissioners are required to report the value

of the land of the rights-of-way of public service corporations computed in harmony with the value of adjacent land. The Deputy in charge of the assessment of this property uses the values so reported to him and adds the value of the improvements whatever they may be.

The taxes on property are imposed by the city comprising five counties and there is in addition a small tax imposed by the State of New York. The rate varies slightly in the various counties which are coterminous with the boroughs because each county pays its own small county expenses. The rate of tax is as follows: In Manhattan, 1.78 per cent.; The Bronx, 1.77 per cent.; Brooklyn, 1.84 per cent.; Queens, 1.80 per cent.; and Richmond 1.90 per cent. The New York State tax is 0.058 per cent. Stated in pence per £, these rates are equivalent to : Manhattan, 4.37d.; The Bronx, 4.25d.; Brooklyn, 4.42d.; Queens, 4.32d.; Richmond, 4.56d.; State tax 0.14d. The total municipal taxation imposed (on real and on personal estate) was \$150,503,897. If to that is added the State tax (\$4,576,303) the total taxation was \$155,080,200, which is \$28.30 or £5-18s. per head of the population. The taxation on fixed property (real estate which is land and its improvements) alone amounted to \$144,420,586 municipal taxes plus \$4,389,709 proportion of State tax, a total of \$148,810,295, which is \$27.17 or £5-13s. per head of population.

In New York city the proportion which land value bears to the total value of land and improvements varies considerably. In "Section 3" of Manhattan, which includes the great business centre, the proportion of land value is as much as 70.3 per cent., notwithstanding the gigantic and valuable skyscrapers for which the neighborhood is so notable. In "Section 13" of Brooklyn the proportion is as low as 41.1 per cent. The average for the whole city is 61.7 per cent.

Land value per head of population also varies considerably. The ordinary or selling value of land (apart from franchises, etc.) varies from \$1,258 (£262) per head in Manhattan to \$413 (£86) in Richmond. The average for the whole city is \$840 (£175). With the growth of population the land value has increased in sympathy but the land value per head has declined, having been \$871 in 1913, \$898 in 1912 and \$915 in 1911. This decrease is not explained by increased taxation since taxation has remained almost stationary.

#### NEW YORK'S TOTAL LAND VALUE.

It is possible to make an estimate of the total land value of New York from the figures supplied by the Commissioners and to use the estimate for making a guess at the total value of London land. Facts as to London will not be available until after the British National valuation is completed, but we shall have to wait for that for some time and meanwhile speculation is admissible. For the sake of clearer understanding, United States money is converted into English money (at 4.8 dollars to the £). The average proportion of land value to total value (61.7 per cent.) is used for arriving at

the land value of real estate belonging to corporations, of special franchises and of properties exempt from taxation. The last mentioned include the sewerage system, municipal and government institutions, libraries, churches, hospitals, cemeteries, etc. Similar properties in London are assessed and are included in the annual rateable value, some are actually rated; and in the case of government properties the local rating authorities receive a subsidy as compensation for the exemption of such properties from rates.

As ordinary land value means the selling value of land as diminished by the taxation imposed, it is necessary to add the capitalized value of the taxation in order to arrive at the value the land would have if free from taxation. For this purpose it is assumed that the real estate taxation falls on land value in proportion to the relation which land value bears to total value, which as explained is 61.7 per cent. for New York. If it were agreed, as some maintain, that all taxation of fixed property is really a burden on the land alone then it would be necessary to add the capitalized value of the total real estate taxation, and in the result the land value of New York would be correspondingly greater. But to be on the safe side and to arrive at a conservative estimate, only 61.7 per cent. of the real estate taxation is added and the taxation of personal property is left out of account entirely.

The value attaching to special franchises and to the real estate of corporations consists largely in what the commissioners call privilege and rights-of-way. It is doubtful if improvements in these cases make up anything like so high a proportion of total value as they do in the case of ordinary fixed property, and there will be no exaggeration in placing the land value at only 61.7 per cent., the average proportion for the other classes of property. The total figure of land value in New York will then work out at £1,658,351,000 as follows:

Ordinary land value (being selling value).....	£958,927,000
Land value of real estate of corporations.....	23,993,000
Land value of special franchises.....	51,985,000
Land value of real estate exempt from taxation:	240,874,000
Capitalized value of the proportion of Municipal and State taxation falling on land values, at 20 years purchase or 5 per cent.....	382,572,000
	<hr/> £1,658,351,000
Land value per head of population (5,476,996...)	£303
Land value per acre (201,446).....	£8,232
Population per acre.....	27
Total annual value at 5 per cent. ....	£82,918,000

#### LANDOWNER'S SHARE.

Incidentally an estimate may be made of the land value tribute which is drawn annually from New York by private interests. For this purpose we should deduct from the total the value of land exempt from taxation

(£240,874,000) and the value of the taxes on land values (£382,572,000) leaving £1,034,905,000. At 5 per cent. this is £51,745,000, which sum represents the net annual untaxed rent taken from the population. It amounts to £9-8s. or \$43.32 per head. On the other hand the annual rent taken in taxation is only £19,129,000 which is £3-10s. or \$16.80 per head. Thus the Municipal and State levy on land values is £3-10s. per head every year and in addition the landowners take in rent £9-8s. per head.

## NEW YORK AND LONDON.

In estimating the value of one town or district from the ascertained value of another town or district it has been customary simply to figure on the population or the area of the former and multiply by the value per head or value per acre which is found to exist for the latter. But this practice overlooks the fact that value per head and value per acre depend on density of population as well as upon other factors such as situation, state of industry among the inhabitants, presence or absence of poverty, etc. Principally on account of its much larger area (201,446 acres) New York city is not a criterion for London (74,816 acres). The population per acre in Greater New York is 27; in London it is 60.8. A more trustworthy comparison is afforded by the boroughs of Brooklyn and Manhattan taken together as the following statistics show:

## MANHATTAN AND BROOKLYN.

Population.....	4,393,773
Area.....	64,718 acres
Population per acre.....	68
Taxation imposed on fixed property (land and improvements), including quota of State tax.	£26,325,000
Per head.....	£5-19s.-0d.
Per acre.....	£407

## LONDON (COUNTY COUNCIL AREA).

Population (1912) (1).....	4,519,734
Area (2).....	74,816 acres
Population per acre.....	60.4
Local taxation on fixed property, including recoverable arrears (1911-12). (3).....	£15,961,000
Estimate of Budget taxation on fixed property in London. (4).....	£ 9,420,000
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Total property taxation.....	£25,381,000
Per head.....	£5-12s.-0d.
Per acre.....	£339

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- (1) London Statistics 1912-13 p. 54.  
 (2) Ibid p. 47.  
 (3) Ibid p. 626.  
 (4) Ibid p. 558.

The comparison according to these figures is justifiable, and it will be difficult to escape the conclusion that the value of London land, if assessed on the same scientific principles as New York is assessed, must approximate to the value of the land in Manhattan and Brooklyn. The population is engaged in almost the same pursuits; each district forms a great metropolis; the influence of overseas trade is the same; in both cases there are outlying and surrounding residential districts, although the territory called extra-London is more populous than Queens, Richmond and the Bronx taken together, and this should of itself make London land the more valuable by comparison.

The effect of property taxation upon the value of land is also taken into account; the combined local and national taxation is even less in London than the municipal and State taxation in Manhattan and Brooklyn, a fact which by the way may surprise many. The truth is that British "property taxation" appears heavy and burdensome because assessments are ridiculously low. In any case the comparatively lower taxation in London should make the selling price of London land higher by comparison.

In the subsequent estimate this factor is ignored, as is the influence of the three million population in extra-London, and to be further on the safe side a correction is made for the less density of population within the County Council area itself, as compared with Manhattan and Brooklyn. It might be added, in case objections be raised on that score, that Manhattan and Brooklyn are by no means purely business districts. The statistics of the tax commissioners show that 79.2 per cent. of the buildings in Manhattan are one and two family dwellings and tenements without elevators; hotels, elevator apartment houses, warehouses, office buildings and factories make up 14.3 per cent. of the buildings. In Brooklyn the former classes make up 91.3 per cent., and the latter 2.38 per cent. of the buildings.

The only other point that need be explained is that annual value is derived from capital value in London by taking only 4 per cent. instead of 5 per cent. as in New York. There is this difference at least in the respective market rates of interest, and the difference would be a reason for enhancing the annual value of London land over New York land where both had the same capital value. The process of stating the value of New York land at so much per head or per acre and using that figure to ascertain the value of land in London is not strictly accurate, for New York land sells at about 20 years purchase whereas London sells at about 25 years purchase and the result is to underestimate the value of land in London by the use of such methods.

Calculating for Manhattan and Brooklyn as has been done for New York as a whole, the statistics of land values are:

#### MANHATTAN AND BROOKLYN LAND VALUE.

Total land value, including the land value of franchises, exempt property, etc., and the proportion of the municipal taxes and quota of State tax falling on land values..... £1,523,603,000

Per head.....	£347
Per acre.....	£23,541

(Note: The land value proportion in Manhattan is 66.2 per cent., in Brooklyn 49.9 per cent.)

Ordinary land value, being the <b>taxed</b> selling value of land, and not including the land value of franchises of corporations or of exempt properties.....	£824,127,000
Per head.....	£188
Per acre.....	£12,734

From these figures the following alternative estimates of the value of London land are submitted:

#### LONDON (COUNTY COUNCIL AREA) LAND VALUE.

##### I.

(a) Total land value of London at £347 per head, corrected by the less density of population in London, as compared with Manhattan and Brooklyn, in the proportion of 60.4 to 68..	£1,392,982,000
(b) Total land value of London at £23,541 per acre, subject to the same correction.....	£1,563,954,000
Annual value of (a) at 4 per cent.....	£55,720,000
Annual value of (b) at 4 per cent.....	£62,559,000

##### II.

(c) Ordinary or selling value of London land, at £188 per head, excluding the land value attaching to special and exempted properties and corrected as before by the less density of population in London.....	£754,546,000
(d) Ordinary or selling value of London land at £12,734 per acre, corrected as before.....	£846,625,000
Annual value of (c) at 4 per cent.....	£30,182,000
Annual value of (d) at 4 per cent.....	£33,865,000

The extent to which rates and taxes on fixed property ultimately fall on land values is a much disputed question. Some say all such taxes are a charge upon land and if their contention is admitted then the gross taxable and rateable value of land should include the whole amount of taxation now levied. This was £25,381,000 in London in 1911-12 and if added to the above figures (c) and (d) the annual values would be £55,563,000 and £59,246,000 respectively. On the other hand, if the taxes fall on land value only in proportion to the part of the total value represented by land, the result, would be correspondingly less. Put the land value proportion at only 50 per cent. (it is 61.7 per cent. in Greater New York) and the gross annual value of London



land on the basis of the (c) and (d) figures would lie between £42,872,500 and £46,555,500. It must be noted, however, that the (c) and (d) figures specifically omit the land or communal value attaching to tramways, sewers, gas mains, public institutions and to properties exempt from taxation. These are all included in the present "rateable value" of London. Accordingly the former of the two alternative calculations embodying the figures (a) and (b) is more trustworthy and it places the gross annual value of the land of London at between £55,720,000 and £62,559,000.

#### THE "RATEABLE VALUE" FALLACY.

The calculation of both the capital and the annual value of London land is submitted with all respect to those statisticians who have attempted to show the inadequacy of land values to meet national and local revenues. The Council of the Surveyor's Institution, speaking with professional authority, have estimated the land value of the whole United Kingdom at £3,000,000,000, which to say the least of it seems quite absurd since the value of New York land, ascertained by a duly constituted assessing department, is at least £1,658,351,000. Other statisticians, belittling proposals for the taxation of land values, have declared that £100,000,000 is the outside limit of the annual value of the land of the whole United Kingdom. They are usually very emphatic in their convictions and we can only invite them to show in what respect our calculation of the value of London land alone at somewhere between £42,872,500 and £62,559,000 after making generous allowances, is faulty or unreliable.

We have always protested against land value estimates derived from the figures of present rateable value and we shall not be dismayed if it is pointed out that the total gross rateable value of London (land and buildings included) is only £54,949,000 and net rateable value £45,022,000, which is less than the value we attribute to the land alone. Present assessments are slipshod, anomalous and unjust, and only approximate to the real annual value in the case of small properties and of the dwellings of the poor. In the United States, wherever the scientific separation of land value from improvement value has been adopted as the method of assessment it has been found that the total greatly exceeds the figures previously obtained by lumping land and improvements together. As to London we have the testimony of the ex-Lord Mayor, Sir Vezev Strong, who speaking at a meeting of the City Corporation on June 12th, 1913, said: "Even on the assumption that the new proposals (the taxation of land values) were entirely in substitution for the present charges, an imposition of, say, 3d. in the £..... would be equal to something like £1,250,000 added to its annual burdens." We do not know whether Sir Vezev Strong was speaking of local burdens or of local and national burdens combined, but as the purely local annual burden by way of rates on the City of London is £1,866,834\* it follows that 3d. in the £ would according to Sir Vezev Strong, raise at least £3,116,834 and accordingly the

capital land value (apart from improvements) must at least be £249,347,000 corresponding to an annual land value of £9,995,868. In his declaration Sir Vezey Strong has only proved how extremely unsatisfactory our present assessments are, for the net rateable value of the city of London (land and improvements included) is only £5,759,323. (1).

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## BI-MONTHLY NEWS LETTER.

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By THE EDITOR.

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The news that will most interest the readers of this number is the election results. We regret to chronicle the defeat of the Local Option in taxation amendment in California. At this writing the figures are lacking, so the extent of the defeat is not known. But a good fight has been fought, and an army has been enlisted that will increase in numbers for the next general engagement with the forces of privilege. It would be an ungrateful task to select for special mention the names of those who have contributed so much of time and intelligent energy to the making of public opinion in the coast State. We congratulate our friends on their candid and open fight for the Single Tax, for no effort was made to minimize the reasons back of the demand for local option. Single Tax speakers confessed that their only purpose, their sole hope, was that it would open the way for the adoption of our system in some important community in California, thus furnishing an unquestioned object lesson. Others might advocate local option in taxation for other reasons, but the Single Taxer had but one reason, and that reason was boldly avowed in every corner of the State. If we are defeated, as now seems probable, the defeat is an honorable one, and we are stronger for it. All honor to our California brothers!

Another amendment of interest to Single Taxers was one in Ohio forbidding the separation of land from improvements in classifying was defeated by over 200,000. It was boasted that this "would make the Single Tax impossible." Nebraska gives power to the legislature to enact such laws as it sees fit. In Oregon the amendment exempting \$1,500 of improvements was defeated.

The most important Single Tax victory was the defeat in Missouri of the so-called anti-Single Tax amendment, saving the Initiative and Referendum for the cause. This victory is all the more notable, for the amendment was designated on the ballot as "Anti-Single Tax" in black-faced type. The adverse majority in the State was large, and in St. Louis it was snowed under by over 70,000. The Fels Commission which helped this fight are to be congratulated.

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\* London Statistics, p. 626.

(1) Ibid, p. 667.