

Siphoned Urban Land Values

by Edith S. Capon

By way of supplementing Walter Rybeck's excellent article in the March issue, here are a few specific cases that illustrate just how urban land values, due to public spending, activities, and population growth, are being siphoned under present assessment practices into private hands, instead of back into the public till:

1. Congress almost approved the expenditure of \$4 million for a four-acre tract, assessed at \$351,000, for a park in Washington, D.C., when a member of the House subcommittee objected due to the great disparity between that price and the assessed value, which was then increased to \$1.1 million, (think of the tax money lost in previous years) and the price lowered to \$1.6 million. (*Washington Post*, March 23, 1978)

2. When the Balston, VA station of Washington's Metro opened in November 1979, a prominent North Virginia developer stated, "There is more money to be made in that corridor than in any other part of the United States." (*Washington Post*, November 19, 1979) The Metro will cost around \$7 billion when completed, most of it federal money.

3. Near the Bethesda, MD Metro Station, yet to be opened, a property which cost \$18,500 in 1948, sold for \$189,000 in September, 1979, and six months later was on the market for \$417,000, being billed as the "perfect spot for a McDonald's." (*Washington Post*, March 6, 1980)

4. Fifty-four small and supposedly "low-cost" homes were constructed on 1.2 acres in Washington. The land was purchased by a H.U.D. agency for \$755,000 from a London corporation which had paid \$398,260 for it in 1963. Total cost of each unit was \$76,000, including \$13,963 for the land, and the London corporation's nearly 100% profit. (*Christian Science Monitor*, March 18, 1972)

5. In Newton, Massachusetts, where most land has not been reassessed since before 1946, and the real estate tax provides 74% of its revenue, there are some vacant lots assessed for \$1,000 with market values of around \$15,000. In the case of developed land, higher assessments have been placed on the buildings.

It is very rare to find in news accounts of property transactions assessed values as well as sales prices given as in #1 above, but it can be safely assumed that in cases of high land-sale prices, the assessed values are unrealistically low and not increased unless someone with sufficient clout is willing to do battle with City Hall.

The above information has appeared in widely read newspapers. People either do not read the articles, do not understand the implications, do not know the solution, or do not care, preferring instead to accept higher income, sales, taxes, and even reduced services.

Pittsburgh from page 1

only because it was an application of the stick without the carrot, but because it was coming at a very difficult time. The building industry in Pittsburgh and in the whole Northeast, has been stagnant since 1974, and was receding in 1978. Pittsburgh had a very active building year, however, in 1977 due largely to federally subsidized projects. In 1979, the mortgage rates began to get out of hand, and it

looked like the cause was lost. Land tax or no land tax, building activity was almost certain to decline.

Actually, the only decline in 1979 was in the number of new buildings, the value of new buildings was almost twice that of those built in 1978. While money was tight for home improvements, 1979 saw smaller improvements. All told, 1979 finished slightly ahead of 1977, and far ahead of 1975, 1976 and 1978. The story is now just beginning to appear.

Table #1--February Comparative (Numbers)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
New Buildings	22	20	21	23	6	23
Additions & Ext.	18	23	10	18	22	29
Alterations	275	347	305	240	348	504
TOTAL	315	390	336	281	376	556

Table #2--February Comparative (Dollar Values)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
New Buildings	4,505,390	1,774,990	2,538,300	1,851,100	260,305	2,607,500
Additions & Ext.	614,050	2,686,005	162,500	570,087	344,800	1,891,558
Alterations	2,665,520	1,753,092	1,797,502	2,238,656	3,257,800	8,561,563
TOTAL	7,785,500	6,214,087	4,498,302	4,659,843	3,862,950	13,060,621