

## A Romance of New York Real Estate

THE tale I have to tell has its origin in the first real estate transaction of record on Manhattan Island. Everyone who has attended school knows to what I refer—"The sale by the native Indians of whatever rights they possessed in Manhattan Island to the Dutch for a few trinkets and gew-gaws that cost in Holland about twenty-five dollars." Having accomplished this deal, the Dutchmen set to work to found a new city—the City of New Amsterdam.

Later, when the population of the new city was increased and its borders extended, a certain area in the then suburbs was set apart by the City Fathers as a farm, and the land thus set aside continued to be a "farm" for several generations. But as we all know, the Dutch had to give way to the superior force of the English. Then what had been "The Dutch Farm," became the English farm—"The King's Farm" and "The Queen's Farm" when Anne became Queen of England. Her Majesty, in the exercise of her prerogative as head of Church and State, generously gave this farm to what was then the Established Church, now known as Trinity Church Corporation.

This farm, which contained about fifty acres, was at this period leased for the sum of thirty pounds per annum, or about one hundred and fifty dollars of American money.

Again, the English had to yield to the superior force of the Americans. Subsequently Trinity Corporation had its title to this farm sanctified as it were, by the Legislature the State of New York, and proceeded to do what any ordinary landholder would do—make the most of it. And when more room was needed for an increasing population, this farm ceased to be a farm and streets were cut through it, and residences erected on the lots abutting. This farm, or what had been a farm, is now bounded approximately by Broadway, Chambers Street, Fulton Street and the Hudson River.

When the streets were cut through, Trinity Church Corporation followed the prevailing custom and leased the lots on long terms—ninety-nine years at comparatively small rents. Thus when they terminated, owing to the very rapid growth of the City, the land had increased enormously in value, and the buildings that then occupied these lots became an incumbrance and had to be removed to give place for others more appropriate to the location. How much of this land which was once a farm is now owned by Trinity Church Corporation I have no knowledge, and should I seek such information, it is doubtful if it could be obtained, as that Corporation has been, and is today, very discreet and secretive as to such matters. But I do know, having had occasion to search the records, that Trinity Church Corporation owned in 1893 and does today, a small section of this old farm, situated at the corner of Broadway and Murray Street.

This plot contains 12,450 sq. ft. The facts just cited and others that follow in connection with this particular part

of the old Dutch farm, are taken from the public records which at that time were stored in the old Hall of Records, which doubtless some of us remember, though it has since been demolished and its valuable contents transferred to the more stately and costly new Hall of Records. About the time referred to, the lease of this plot of land expired and, according to custom and agreement, the structures attached to it reverted to Trinity Church Corporation. These structures were ill adapted to the location—in fact were an encumbrance, and had to be removed to make way for a new one that would more fully correspond to the value of the site, and as they could not be transplanted whole to another location, had to be demolished and taken away piece-meal to make room for a new building. The site, because of the rapid increase of population, and the consequent extension of industry, trade and commerce, had increased correspondingly in value; and because of the increase in scientific knowledge, it had become possible to erect on this site a building that would accommodate an industrial population many times as numerous as the old structures possibly could—a structure that would afford opportunity for this larger number to make a living for themselves and their dependents. Seeing this, Mr. John W. Mackay, of Bonawga Farm, entered into negotiations with Trinity Church Corporation for possession of this site and came to an agreement with it for its surrender to him for a series of leases covering ninety-nine years, on the following terms:

The first term was from March 25, 1892, to March 25, 1895, three years

at a rental for the first year of \$17,000  
at a rental for the 2nd year of 24,000  
at a rental for the 3rd year of 52,500

Mr. Mackay, the tenant, agreed to erect within two years a fire-proof building for office purposes of not less than ten stories in height and to cost not less than \$500,000, to keep it insured and to pay all possible public expenses, whether duties, taxes or assessments, whether required by present or by future laws, and to keep the street and sidewalk in good repair. If he should keep this building in good condition without waste or diminution of value, the following terms of renewal are granted:

For a second term of twenty years at an annual rental of \$52,500.

For a third term of twenty-one years as may be agreed to, but not less than an annual rent of \$52,500.

For a fourth term of twenty-one years on same conditions.

At the end of fourth term the owner has option to renew lease or buy building, as may be agreed upon.

For a fifth term of twenty-one years for annual rent as agreed, not less than \$52,000.

For a sixth term of thirteen years on same conditions, at the end of which time the building will belong to the owner of the land.

On the completion of this agreement Mr. Mackay arranged to have the existing structures torn down and

removed, preparatory to laying a suitable foundation for the new structure. But here his troubles began, as before reaching the required depth for the new foundation a quicksand was struck, which caused much delay, trouble and expense. This structure, which cost to erect about twice as much as the lease called for, that is about \$1,000,000, is known as the Postal Telegraph Building.

The first and second periods of this agreement, embracing twenty-three years, expired about three years ago, but the valuation for purposes of taxation has not materially changed.

The latest valuation put upon this property by the Department of Taxes and Assessments in my possession, is that of October, 1915, which is as follows:

Valuation of land	\$1,025,000
Valuation of building	900,000
	\$1,925,000

But since this building was erected the rate of taxation has continued to advance and is now about 2 per cent.—that is, about \$38,500 per annum.

It will be interesting to note the amount that Trinity Church Corporation has received and will have as rent for this land and the City of New York has and will have received as taxes on land and buildings at the expiration of the lease.

#### RENT

During first term of 3 years	\$ 94,000
During second term of 20 years	\$1,050,000
During third term of 21 years	1,102,000
During fourth term of 21 years	1,102,000
During fifth term of 21 years	1,102,000
During sixth term of 13 years	682,000
	\$5,132,000

The taxes paid on the property for the first two years during the period of construction of building were nominal, and are omitted.

Period	Valuation		Amount of tax
First and second	\$2,000,000	1½%	\$630,000
Third	1,900,000	2%	798,000
Fourth	1,800,000	2%	792,000
Fifth	1,700,000	2%	680,000
Sixth	1,600,000	2%	416,000
			\$3,316,000

#### RENT AND TAXES COMBINED

Rent	\$5,132,000
Taxes	3,316,000
	\$8,448,000

There is little reason to expect a lower tax rate than the present, and as per terms of lease the ground rent is never to be less than the stipulated sum, so it may, and possibly

will be, much more. For as the financial district of the city expands with increasing world industry, trade and commerce, this site will inevitably become more valuable. It is safe to assume, therefore, that the rent of this site will be increased at the end of next term and those succeeding. But be that as it may, the gross sum which will have been paid in rent and taxes on this site and building will amount to \$8,448,000 or more.

This particular site is but an insignificant fraction of Manhattan Island, which is said to contain about 10,000 acres, while this particular site contains but 12,450 square feet, about a quarter of an acre, or about the one forty-thousandth part of the area of the Island, whereas its capital value is fifty thousand times as much as was paid for the whole Island less than three hundred years ago.

Yet the site of the Postal Telegraph Building is by no means the most valuable on the Island. In the center of the financial district not far distant certain, or similar area sites, possess three or four times its value, and in this section are certain areas upon which no human labor has been expended, other than in the construction of vaults for the reception of human remains, digging graves for a like purpose, and in erecting monuments commemorative of the virtues of departed citizens. And the most valuable site is exempt from taxation and as is the case of the site of the Postal Telegraph Building has never changed hands save by death since the Island was sold by the Indians to the Dutch.

The building is capital and yields no such return as the site upon which it stands. It also wears out, as do the bodies of the men who built it. The most substantial structures, as the most vigorous men, have but a limited existence, whereas the land remains forever. And while the value of capital always tends to decrease with use, the general tendency is for land to increase in value and, as in the case of this particular site under consideration, sometimes fabulously.

Rent, ground rent, can be neither mine nor thine, it is *ours* as a community. The unearned increment of land values, rightly so-called in contradistinction to the earned increment of labor value, belongs to all the members of the community in the same sense that the land itself belongs to all. That is, the right of each and every human being to the use of land being equal, so, as members of the community, each and every one has an equal right to the values that are inseparable from the land. The right to the use of land and to the values attached to it are inalienable—although by human law men may be, and have been and are now, deprived of their rights. But these rights may be reclaimed, secured and established by the appropriation of the "unearned increment" by the community through the collection of the rent of land from each and every landholder, and expending the income thus derived for public purposes for the benefit of all.

Before bringing this paper to a close I wish to recall and emphasize certain facts that have been developed.

Having secured the lease of this site, Mr. Mackay erected at his own expense a building which cost \$1,000,000 which

at the expiration of the leases in 99 years reverted to Trinity Church Corporation. Further, that during this period there would have been paid in taxes in round numbers

On the building	\$1,500,000
On the land	2,000,000
For Trinity Church Corporation as ground rent	<u>\$5,000,000</u>
That the full rent of this site for the 99 years would have amounted to	7,000,000
Of which the City of New York would have collected	1,800,000
And Trinity Church Corporation	5,200,000

Thus the industrious and useful citizen would have paid one and one times as much in taxes as the building cost to erect, and Trinity Church Corporation would have received for doing nothing five times as much as the building cost to erect, and the building in addition at the expiration of the lease.

Thus we see that one who improves land and puts it to use loses all that he has done, while the landholder who has done nothing whatever to improve the land takes what is ours—land rent—and thereby grows richer and wields an increasing power over the destinies of his fellowmen day by day. Yet we must not forget that he does so with our sanction according to law, which may be changed whenever we have the sense to change it.

This particular instance of land holding is selected, not because the landholder happens to be an ecclesiastical institution, for any other landholder would have done just what Trinity Church Corporation has done, but because it is a conspicuous illustration of the iniquity of the law which permits the land owning class, who as such are non-producers, to appropriate to themselves the unearned increment of land values which is ours.

But to change the law the light must be spread by those who see its glaring injustice. And in doing so let us not be lured from the straight and narrow path into by-ways and blind alleys that lead nowhere. Let us not be discouraged if the seed does not bear immediate fruit, for we should remember the law underlies our present civilization, and all have become so accustomed to it as to think it as natural as the law of gravitation. But difficult as the work may appear to be, we must persist until the end, for until the law is changed there will be "wars and rumors of wars."

The appropriation of land values, "the unearned increment," for public use by the collection of rent from those who possess the privilege of exclusive possession of land, and its expenditure for the good of the community, together with the abolition of all taxation of wealth in every form, will free both man and mother earth from bondage, insure freedom of production and exchange, an equitable distribution of wealth, and opportunity for every man to work out his own salvation. Then, and then only, will a foundation be laid for a true civilization, for on such basis only will it be possible for peace on earth and good will among men to prevail, and for all the nations of the earth to become as one family.

JOHN FILMER.

## Errors of Single Taxers\*

1. That land value, rent, or selling price, is the creation of the community.

"Rent is the share of the wealth produced, which the exclusive right to the use of natural capabilities gives to the owner."—P. & P. page 166. Elsewhere, rent is a part of the produce. The elements creating this share or part, are the land and the tenant. Population does nothing but force the use of poorer land, hence rent is a result, not a creation, of population acting on differences of productivity.

Selling price is fictitious value, hence not created, but resulting entirely from monopoly, and capitalizing rent when selling title. Selling price rests entirely upon the estimate of individuals of the value of the easy income called rent. Capitalizing dividends gives the same result, "watered stock." Page 166: "Rent is also expressed in selling price. When land is purchased, the payment. . . . is rent commuted or capitalized."

"The value of land represents merely the value of the expectation that the State will continue to permit the holder to appropriate a value (rent) belonging to all." This expectation is the result of unjust law, not of speculation.

2. That Henry George favored land reform by sentimental appeals to natural right to land; (this being proper for agitation, not as an applied remedy). His reform was one of gradual exemption, not sudden abolition. Protection or Free Trade, page 322: "Social progress is by steps."

Page 320: "The way is clear, simply abolish one tax after another, all imposts in their nature taxes, resorting for revenues to economic rent."

(A similar passage on page 283.)

Home Rule in taxation favored, page 321: "In the U. S. the most direct way is through local taxation, and this is doubtless the way the final advance will be made."

3. That land can be considered wealth, or property. P. & P. page 333: "There can be to the ownership of anything no rightful title which is not derived from the producer."

Pol. Ec., page 461: "The real basis of property is the natural law which gives the product to the producer. But this cannot be made to cover property in land."

Land is only the source of all supplies. All people have an equal right to land, hence all people have an equal right to rent, the profit of land, but do not create the rent,

\*We assume that not all of our readers will agree with Mr. Hunt, but we leave the points he raises for our readers to deal with in our correspondence column. Land value would not exist in the largest measure save for public services. In this sense, at least, they are the creation of the community, and the term is, we think, sufficiently clear for popular apprehension.

Point 2 asserts that the application of the Single Tax will be gradual. This is *probably* so, but we have no reason to assume that it is *certainly* so. Mr. Hunt concedes that for purposes of agitation we need not so assume. This has been the fault of the movement for many years. Favoring the "step by step" method we have calculated these steps with such infinite nicety that we have quite forgotten where we are going!—EDITOR SINGLE TAX REVIEW.