

Applying LVT in New York

by ALEXANDER FRAME

ABOUT two and a half years ago I answered a little postcard from the Henry George School raising my curiosity about the problem of land value taxation. Because I did answer that card, today I'm in the employ of the Mayor, to see what we can do about land value taxation.

The budget of the City of New York is roughly about \$4.6 billion. Out of that, the real estate tax as it now stands, represents about 34 percent. If we were to take the real estate tax and turn it into a vehicle of full tax for the budget of the city it would come to about \$11.50 per 100 thousand valuation. On the other hand, today it represents about \$4.96 . . . definitely a regressive tax.

We receive approximately 20 percent from state aid, 21 percent from regular taxes, about 11 percent from federal aid, and the income tax will provide another 11 percent. The assessed value of the city is about \$45 billion, and \$15 billion of that is tax exempt. Roughly 47 percent of that tax exemption, or \$7 billion, is owned by the city bridge and tunnel authorities, housing represents another 13.7 percent, religious holdings 4 percent, schools and libraries 4 percent, U.S. government about 3 percent, and the state about 1 percent.

The real estate tax as it is presently constituted would yield for the budget, about \$1,572 million. This is not enough to handle anything but the primary mechanics of running the city, such as police and fire protection—and cannot even touch the welfare, which in New York is a national problem, not a local one, for our city is also a region, comprised of people who come in from out of town to work here. We have 500,000 people on welfare, but only 3 percent are able bod-

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ied and only 1½ percent can work.

The assessed value of real estate for the nation is \$130 billion. The City of New York with only 8 million people represents almost a third of the total assessed value of the U.S. Rents are increasing about 2 percent in 5 years, and in some cases people with low incomes are paying as much as 30 percent of their income for rent (10 percent of this is real estate tax) and it can be an enormous amount of money. At present we have 100,000 housing units which are considered inadequate—they do not have the proper amount of water or bathroom facilities. Urban renewal is not keeping pace with the increase in population.

So we have a problem! The city has about 835,000 parcels of land and these have to be assessed by 360 people, representing about 177 districts. The smallest district has about 722 parcels, the largest about 6,243. One man is supposed to examine each of these parcels every year, and he signs an affidavit that he does so. The smallest value in a district is \$25 million, the largest \$1 billion, plus. How many people could examine 47 to 5000 parcels in three months? It is next to impossible. The Wall Street area alone has a dollar value of one billion. While in some parts of the country full assessed value is a dream, falling in some cases as low as 30 percent, in New York we assess roughly at 65 to 70 percent of full (market) value.

I picked at random a few typical examples that show prices and assessments on plots that changed hands. In Brooklyn a property was assessed

at 88¢ a square foot, it was sold at \$7 a square foot, and its new assessed value was \$4.50 a square foot. In the Bronx a piece was assessed at \$2.80 a square foot, sold for \$8.70 and reassessed at \$4 a square foot. In Richmond County the assessed value of a plot was 49¢, it sold at \$1.14, and was reassessed at 92¢ a square foot.

This is what we have to work on, not necessarily full value, but each district is required to assess similar to the other districts. And this is all done by hand. We have no computers except to send out the tax bills.

The suggestion has been made that the city should own land and lease to developers. To give an example of what happened in the Bronx not long ago, a piece of property was owned by the city, taken over for the rent in default of taxes, with an assessed value of \$34,000. It was sold for \$65,000 and then reassessed at \$77,000. One year later, nothing having happened to this vacant piece of land, it was sold for \$197,000 and then reassessed at \$120,000.

In a study now in process we found a piece of property purchased for the purpose of ripping down the building to put up a high-rise apartment building. The assessed value of the ground was \$36 a square foot, it was sold at \$132 a square foot, the new assessed value was \$71 a square foot. Another piece assessed at \$32, sold for \$105, and was reassessed at \$68 a square foot. In the case of two holdouts—people who wanted to shake down the developer a little more—one piece roughly 25 x 100 was assessed at \$29,000 and sold for \$350,000. The other was assessed at \$77,000 and sold for \$450,000.

As I suggested earlier, to move into full-scale land value taxation in the City of New York is almost impossible. But we are now considering two or three basic things. First, LVT can be considered as a planning tool. For

instance, in particular areas now condemned for housing and urban renewal, we can use a new kind of tax program which would bring about the improvements we want. We could eliminate land speculation and definitely increase housing.

We've tried to think in terms of how much the city can survive on "x" amount of dollars from real estate tax, and if we turn this real estate tax around into a site location tax or the graded tax plan, we'll see if we can realize enough money for the first 5 or 10 years by relying heavily on federal grants or other forms of taxes.

We would also consider instituting a tax in conjunction with zoning regulations so that people who are now making a great deal of money on a zoning change would not necessarily do so. A study is now more or less formulated in a lot of people's minds, but computers are absolutely necessary. A computer system would help us arrive at an assessment rate which could clarify much of the "opinion" that now slows the work of appraisers and assessors. We hope that in a few months we can get a pilot project started in this connection.

We are encouraged by the good graces of the Schalkenbach Foundation and others who have offered to bring in notable professors from other parts of the country to examine the whole land tax problem from an academician's point of view. This is another necessity, for we are building up about 15 questions that can be answered only by someone thoroughly schooled in this subject. There is of course also a legal aspect, in that present laws would not allow any program of this kind.

Still I think that within a period of time we will have some form of land value taxation in the City of New York. The Mayor is open minded to it and interest is more widespread than we at first realized.