

How To Stimulate Building

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The following quotations from editorials in recent publications, give me courage to present my views on the housing question without being considered a Bolshevik:

The Globe: There remains one simple and undoubtedly effective remedy which apparently no one dares mention for fear of the opposition of the powerful 'interests.' That remedy is to make the tax rate higher on vacant land than on land occupied with buildings. In other words, penalize the man who holds a vacant lot waiting for it to increase in value, while that lot is needed for use.

The Tribune: A discrimination between the taxes paid on land and on habitations would, of course, increase construction.

The Review: The emergency quite justifies special exemptions from tax burdens for all new projects of housing for the poor and for people of moderate means. But legislative proposals of this nature fail to receive the attention which they ought to get, because of the diversion of interest to futile schemes and to idle denunciation.

Allan Robinson, president, City & Suburban Homes Co.: We would like to build homes for people of moderate means, but we do not feel that we can build on an extensive scale under present conditions. If, however, we were exempted from local taxation on the tenements we put up at present building costs, we could afford to erect new tenements, for in fifteen years, by compounding interest, the relief which comes from such exemption on such buildings would just about equal the additional cost burden that we would assume by building at this time.

Lawson Purdy: What can the State do to encourage the erection of homes? It has been proposed that all buildings erected for dwelling purposes might be exempted from local taxation for some period of years.

All the propositions I have seen which seek to solve the housing problem are based on some tax exemption which will reduce the income of the State just at a time when the State needs every cent of revenue it can get. Here are my suggestions:

First: Repeal the usury law, at least as far as loans on buildings are concerned. It is legal for pawn brokers to take 12 per cent. per annum from the poor, and the banks can collect any rate the market calls for on call loans. Why not free capital, as labor is free, and let it get

whatever its services command. Massachusetts, Maine, Rhode Island, Colorado and California have no usury laws, why should we?

Second: Exempt new buildings from taxation. The State loses no revenue from this for if the buildings are not erected the State gets no revenue anyhow. Everyone can see that refraining from taxing buildings is an encouragement to build, which is what is wanted. Every building erected increases land values, therefore—

Third: Tax land values for any increased revenue the State needs.

The drastic measures passed by the Legislature to curb rent profiteering are perhaps justified as emergency measures, but there is nothing in any of them to encourage house building, which is absolutely necessary for a permanent cure to the present evils.

We must always remember that a tax on land values and a tax on materials (labor products) have opposite effects. It lessens the selling price of land and increases the cost of buildings.

We think all our troubles will be over if we can stabilize the labor and material market. But when this is done just watch the price of vacant land go up, if an increase in the tax rate on land values is not imposed to curb this increase.

My suggestions therefore will: (1) Induce capital to enter the mortgage field where it can get as good interest as in other lines. (2) Lessen the carrying charge of buildings the amount of the tax remitted. (3) Lessen the price of vacant or ill improved land—an essential to more houses. All three of these things are absolutely necessary for a permanent solution of the housing problem.