

Land Speculation in Chicago

By Robert King

IN today's parlance, Land Speculation should be labeled eighth column, especially when it means holding up our own federal government in its purchase of defense plant sites. While bad enough to rook fellow citizens in peacetime, when the nation is plunged in a war which nobody wants, these leeches on the arteries of production have the temerity to demand for their land exorbitant sums. Even appraisers and realtors reverently and wholeheartedly support this grabiest.

Vacant sites in the Chicago land area that these appraisers fairly valued at \$500 to \$800 per acre, were sold to Defense Plant Corporation (a U. S. war agency) at double these figures. Wartime censorship makes it advisable to refrain from mentioning in this article the locations of these areas, although at the time of purchase such information was printed in the local press. (Fair appraisal figures quoted here are taken from Olcott's *Land Values Blue Book*, an Annual of appraisal maps, available at public and municipal libraries in most large cities. If the reader will consult this book he can find the areas under discussion.)

Consumers Corporation, a coal and ice firm, owned 120 acres of a weedy 1929 subdivision in McCook, bearing a *Blue Book* valuation of \$2 per front foot, or \$500 an acre. This was sold to Alcoa for \$1,000 an acre, early in the Spring of 1942.

Harlem Golf Club, appraised at \$1,500 to \$2,000 per acre, was wanted by the Defense Plant Corporation. The DPC paid the club \$135,000 for 80 acres (\$1,688 per acre). It is doubtful if the club actually paid more than \$1,000 originally, because that was the price a nearby cemetery association paid several years ago.

A vacant 1929 subdivision between 116th and 119th Streets, Halsted to Ashland Avenues, is restricted by deed to residential and duplex building only, and excludes Negroes. In an effort to keep the land value high, the owner foolishly or diabolically had it zoned for heavy manufacturing.* The *Blue Book* finds \$3 to \$5 a front foot sufficient appraisalment. Unlucky buyers

* Explanation: A deed restriction limiting the purchaser to build only a residence or duplex obviously would prohibit the erection of a manufactory. This is a dictate of the private landholder. Zoning is an official government edict, originally a protective device; it can be changed by appeal, but cannot be violated. If a district is zoned for commercial or manufacturing use, the city of Chicago absolutely excludes permission to build residences. The zoning board usually consults landholders as to present and proposed use of the land, to make a satisfactory ordinance. Since the assessor bases his valuations on land use according to the zoning, and the assessed value is official, the landholder uses it to offer his land for sale at high prices—R. K.

will find the city zoning ordinance prevents the erection of any housing—and Chicago is badly in need of houses now—in a manufacturing zone, and a conflicting deed restriction forbids the erection of manufactories. Such is the power of speculation.

In April, 1942, the Belt Railway of Chicago sold 280 acres of vacant land, one of the biggest areas within the city limits, for \$448,000 (\$1,600 per acre). Two months later, the Chicago Board of Education sold 9.8 acres, which is adjacent to the Belt Railway parcel, for \$7,500. This is about \$750 an acre. The 1943 *Blue Book* will value this factory site at \$1,500, but no increase is given the surrounding neighborhood.

South of this new factory site, diagonally adjoining it, a vacant 1893 subdivision is held out of use, because half a century ago the holder had the "foresight" to know that a new Chrysler plant would be built across the street, some day. Most of the surrounding area is also vacant, mostly noted as 1929 subdivisions. Actually better suited for farming, it is now too much cut up with streets for intensive farm use.

East of this huge new plant is a sparsely settled community. A flurry of speculation appeared immediately after the first news announcement. Small-fry get-rich-quickers are buying lots wherever they can make deals. One man bought two blocks along a street where a bus line may some day be extended, but off the only business street. Finding that the zoning of the district restricted it to residential use only, he arranged with the zoning board to change it to commercial use; he intends to erect stores and a theatre. Unable to obtain building materials for the duration, he is obliged to hold this land out of use, paying a land tax at the rate of 2.7 per cent. of the assessed value.†

A rough estimate of the present land value of this man's holdings is \$14,000. If this were the assessor's valuation, his land tax bill would be \$378 annually. This is based on a front foot valuation of \$18 to \$30 today. The new commercial zoning may cause the assessor to double or treble this valuation (a speculative, but unwarranted rise, if he would do so).

This same speculator tried to buy an adjacent business

† This gives Georgeists an idea of land value rates today. (2.7 per cent.) Henry George ("Progress and Poverty," Book 8, Chapter 2, page 495) in proposing ground rent collection, allows an amount to compensate the landholder for the expense of collection, a percentage "which would probably be much less than the cost and loss involved in attempting to rent lands through State agency." Georgeists like to conjecture on this percentage. Would a landholder consider 2.7 per cent. enough compensation, and pay a tax of 97.3 on land value, if all other taxation were abolished?—R. K.

corner, valued in the *Blue Book* at \$60 a front foot; he offered the landholder \$300 a front foot, and was spurned, the owner demanding \$1,000 a front foot! The most valuable business corner in the vicinity is a mile away, \$250 a front foot.

The judgment of conservative appraisers is that with the complete freeze of all civilian building, instead of a rise in land values, the values are depressed, whether the tax assessor and speculator agree or not. The Buick plant, the Central Manufacturing District and the Clearing Industrial District have been in operation for some time now, but have failed to raise values of nearby vacant property. Subdivisions failed to sell lots. Lots still sell in these areas for \$4 to \$10 a front foot. Reason: Population has not followed the factories.

Until now, employees were able to commute by auto. Gas rationing and the reduction of local transportation service will again force the laborer to live close to work. The construction of adjacent emergency war-housing is probable. The effect is to be seen later.

This has been an attempt to report the passing scene. The landholder is assured there will be no confiscation of land, or a raise in his tax on land values, regardless of burdens heaped upon capital and labor. Taking the long view, perhaps twenty years from now, today's speculator hopes to reap his harvest.

The business corner mentioned earlier, fairly appraised at \$60 per front foot, can serve as an example of how controversial land values can be. A year ago the owner may have had difficulty getting a buyer at \$40; he may have accepted an offer of \$10 or \$15. He refused today's offer of \$300, which may never come again, because he thought the other man might actually pay \$1,000. Both men had lost their reason: one, for bidding \$300, the other for not taking the money quickly. Tomorrow he may be willing to sell for \$40.

If full ground rent were collected, there would be a very definite price set: the owner's actual opinion of its value, based on assessed ground rent. The buyer's evaluation is based on the net he can derive from the type of business or building he will develop.

The market for vacant lots in Chicago is dead, due to the building freeze. The closing of many small stores has, of course, lowered land values in business districts.

The land values picture is one of constant change. We may have a prolonged war, with further social changes, or an early peace, with building bans removed. Thus, prophecy and conclusive statements are impossible. About the only definite prediction is that Uncle Sam will probably be overcharged for land purchases, in peace or war.

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In a case wherein three co-owners of property in Boomtown, California, expected to derive an extra award from a jury beyond that which the Government offered, the U. S. Supreme Court has just handed down a ruling that compensation to which landowners are entitled will not include the enhancement in value resulting from the announcement of a project.

WASHINGTON'S CRUCIAL TEST

By Benjamin C. Marsh

THIS year will be the hardest test democracy has ever met in America.

The outstanding antagonism in Washington this year will be between the two ends of Pennsylvania Avenue, and this antagonism is as bitter as that of British university towns, which gave rise to the expression, "Town versus Gown"; the Harvard influence is stronger at the White House end of Pennsylvania Avenue.

There will be a bitter conflict between consumers, the little professional people, preachers, teachers, people on small pensions, and small fixed incomes—and the two great bodies of organized producers, labor and farmers.

Many years ago Samuel Gompers remarked that America didn't need consumer organizations, because all producers are consumers. He was tragically wrong, but unfortunately the big owning farmers and skilled labor still take this view.

We shall have (and we might as well be frank about it), within the next few months, a regimentation that America would not have thought ever possible a year ago. There will be rationing of all foodstuffs, not only as to quantity, but as to items. The Government will determine the diet of every American citizen, although it has not yet any plan to enable all American citizens to buy what they need. We are facing shortages of foodstuffs primarily because of bad organization in agriculture.

Recently the Department of Agriculture in a release, which has not received publicity in the daily press, stated:

"There are about 2,900,000 farmers, exclusive of strictly seasonal workers, with a gross income of less than \$900 a year. Of these, about 1,600,000 are bona fide farm producers, who devote more than half of their work time to farming. Most of the work on their farms is done by the farmer and members of his family. These farmers, however, are underemployed. In some cases their soil is too poor for efficient production, or their tracts too small to employ their full-time labor. Or they may lack the knowledge and skills to make the best use of their land, or the working capital to finance an adequate farming plan.

"On such farms there are wasted every day man-hours of labor which in terms of farm production equal the manpower needed to produce 200 million pounds of pork, or 25 million gallons of milk, or two million dozen eggs. To reach our production goals, we must make better use of this great reserve of manpower."

This illustrates the individualism in agriculture which must be overcome, at least for the duration.

The Secretary of Agriculture has now a dual function as Food Administrator over the production and distribution of foodstuffs.

He should promptly bring about consolidation, for the duration, of inefficient farm units, and make pro-