

# Modernizing Valuation

By Harold Sudell

The practise of land assessment in the levying of the social land value tax, or the collection of land rent in lieu of levies on labor and industry, is quite important. One of the stock objections to the social land value tax is that it cannot be made to work because of the impossibility of making land assessments that will not be more or less inequitable. Inasmuch as a tax measure, by itself, would not turn our fallible humanity into supermen, and as we will have to work with the tools we have, we may as well admit that absolute perfection in assessment may not be attained.

But with the coming of the social land value tax, and with nothing but the land to assess, a better assessment of the land than we now have will be called for and more time and thought will be given to it. So that we may confidently expect better results than we now get with

our poor and imperfect methods. If there are some variations, as there inevitably will be, it will not prevent our getting the full benefit of the social land value tax to any great extent.

The writer is connected with the Manufacturers' Appraisal Co. A part of their business is the valuing of the real estate of cities, towns and villages for tax purposes, the land and buildings being separately valued. The fixing of exact values for the land is no easy matter.

In valuing the buildings we deal with something tangible. The cost of reproducing a building at today's figures for labor and materials can be readily ascertained and by good judgment of depreciation the present value can be fairly accurately fixed.

But the value of land is not a tangible thing. Sales are comparatively few and even they, in a majority of cases, are not reliable guides. For in most instances either the seller has to sell, or the buyer has to buy. In the one case the price will be too low; in the other too high. Only in two or three cases out of ten, will the sales show true values. Nevertheless, by considering these various sales and by

comparison of one locality with another, fairly accurate values can be ultimately arrived at.

The method usually adopted by our company is to have a committee appointed of real estate men and others who are familiar with local land values. They fix a tentative value for street accessibility for what is termed the unit foot—one foot front x (usually) 100' deep in the centre of every block.

Maps are prepared—with the street widths exaggerated—so as to afford room to show these tentative unit foot values for every block. These maps are published in the town's papers and criticisms are invited. After these have been heard the committee and the assessor adopt final unit foot values.

The maps are then turned over to us and, by means of these unit values and our tables for depth and corner percentages, the actual value of each lot, no matter what its depth or location on the street, is figured out.

Other factors than the lot's street frontage, which add to, or detract from, its value, such as alleys, railroads, water frontage, etc., are also taken into consideration.

By these means a fairly accurate set of lot values are finally arrived at—much better, we think, than those which the average assessor usually gets. We find, almost invariably, that our assessment quite considerably increases the total of land values and that it generally decreases the total of building values.

It is interesting to note that from two-thirds to three-fourths of the total cost of the assessment lies in the valuing of the buildings, so it is evident that if this was done away with, as it would be under the social land value tax, there would be a big saving in assessment costs and in view of the increased importance of the land assessment the community could well afford to spend more time and money on the

job, and so get better results than now.

It is the opinion of the writer that before we reach the full social appropriation of economic rent our system of assessing will have to be changed. For, as the taking of all the ground rent will entirely wipe out the selling value of land it will, I think, become necessary to resort to the direct taxing, or the taking, of economic rent, since there will be no selling value left to assess. This will probably be somewhat more difficult to accurately value, but it can be done.

The land owners, today, by one means or another, arrive at this value. For the selling value, which we now assess, is nothing more than the net economic rent capitalized, and what the land owner can do now, the community can do then.