



Property tax back at squawk level. Give us, there, of size.

Claremont talks.

Major effects.

0. Shift tax base toward center - & accelerate renewal thru
shake up ownership. Thus contain sprawl. ~~the s.o. at~~ Reduce need for soc -
reduce deficit areas.

1. Accel. renewal. By ca. - years.

Renewal when $A_c - T_c > R_D$
or $A_c > R_D + T_c$

2. Δ flexibility; Δ emplmt.
3. Δ area specialization.

A_c must overcome both
and T_c is much larger than $a = A - T$

a. Higher intensity central: lower on outer edge.
(Might be higher yet if we subsidized vertical xptn as we do horiz, public paid
b. Clustering of complementary uses. for utility are in bldg.

c. Create distinctive character for various parts of cbd
Cluster bns. w. linkages, reduce use of street.
Solve problem of distrib. equity; allow street planning & zoning

to focus hi-value uses.
d. Bring lagged sites up to hi standards. Same tax per lot, leads to
uniform devmt. Now, difference of NR between hi
3. Lower utility rates & low is offset by Δ tax, so low can

Emphasize,
for Perry
impr. in
central city
plant

a. Denser settlement. Gas figures.
Reduce long pd. of deficit for new areas.
b. More multi-units, with pct. distribution. compete w. hi, is little
diff. in net after tax.

c. Low taxes - or negative ones.

d. Eas. of scale

3 1/2 Faster replacement of utility plant.

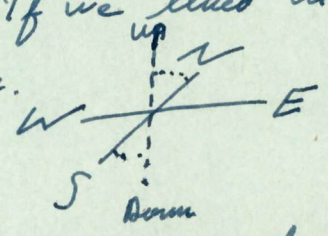
5. Δ l.v., c.p. Δ tax base. By bringing up lagged sites to full
use.

4. Reduce traffic congestion
as to public costs, 2 kinds: $C_a = f(\text{pop})$; $C_b = f(\text{area})$. If bring pop into
smaller area, C_a const; C_b falls.

a. More pedn.
b. public xptn. Mut. mut., rents will fall. Thus will lose
huge Δ of tax base. But will keep some Δ , but
all sites brought up to full use.

c. Shorter distances to travel.

Flat land parable. If we lived in 2-D, and
required 30' E.W per d.u.



Now just tip, so N-S becomes up & down. & you
have our present system.

over

6. Extend credit to builders
Strengthen poor credit risks

6½. Shake up ownership

7. Redistribute l.v.

To those areas suited for most intensive improvement.

Which will also be areas getting highest taxes - remarkable
quality of stimulating bldg. where tax heaviest.

CBD core

Lake shore - where zoning allows

Indl. area

Areas that tax shift will bring to threshold of renewal - slums

8. Reduce tax exemptions, her. can assess land under unique bldgs.

9. Cheapen assmt., allow Δ freq.

10. Obviate consolidation - drain suburbs

11. Synchronize priv. & public works.

- 11½. Δ supply of bldg, lower rents. But, offsetting

12. Δ employment & "business" - ec. base. Δ popn. & wealth of city
is developmental. Not for town that wants to stagnate. Good for town

that wants to prosper.

But town that wants to stay sleepy will run down, attract slums.

Deceptive narcotic

Δ demands on public services. If have excess capacity, LR, that
is good.

13. Equalize taxes on neighboring lots

14. Δ ^{priv.} capital per capita - more floor space. Probably more tax base -
(& lower soc). Check Paul's e.g., & bring that out - Δ double no.
of d.u.s, and Δ land income & tax base by more than double?

How define tax base - brief.

15. Δ amenities - they are conspicuous, catch eye of assessor. Beautify

Put papers
in sequence

Credits to U.L.
~~Credit to Clark, afraid he was going to steal my thunder~~
~~Credit to Clark, but won't repeat. In fact~~
~~Subject close to Clark's, but won't repeat. In fact~~
~~if thought of as an independent entrepreneurs held together by a~~

11

Intro.

~~Central heating plant~~

Pearls & swine

Abstract ideas in concrete heads - is problem of this mtg.

~~But Clark defend to the death his right to say it~~

"Qualified" ecst.

I.

Went to Berkeley. Great storehouse of knowledge, but --

When I was doing my penance in grad school, my mentors were engraving preparing a death certificate for prop. tax, & digging the grave - w. some relish. (George Mitchell)

They were quite well along, when one of the grave diggers glanced up & noticed the corpse eating a hearty breakfast.

Now those days are ancient history. Large, growing, & destined to grow more as jurisdictions move from debt exemption to pay as you go, debt service, & retirement.

Partly supported by Δ r.e. values, but also Δ rates.

Mke. 3%, Newark 5%, Rural > 1%, [if higher if reapportionment causes them to carry their share]

All may go higher as r.e. mkt. falls. Is already problem of central cities. Vicious circle, like rump, driving away choice hrs. ^{No one wants to be a} surplus rev. producer.

Consequential - 3% like 50%. 50% of new bldg. is 5x value of site -- [so Urban Renewal more concerned w. mktg. tax Δ than max. sale price of land.]

Such level, gives new meaning to "power to tax is to destroy." But paradox - also power to bring alive. Here stifles, & here stimulates early conversion to city!

Clearly potent, but which way? Depends on whether on land or bldg.

Either growth of $\pm$ must be rolled back, or be shifted to land base.

II Proposal to modify, Lind ideal tax

We hear ^{needs} tax stifles enterprise, but is a careless generalization. Depends on how tax varies when taxpayer acts enterprising. Lump sum tax is neutral, or better - adds leverage. Is only important to apply it in right place -- (the way porcupines make love - very, very carefully).

~~What base~~ Welfare exerts. Tell us ideal tax, re incentives, is lump sum not contingent on ec. activity. Neutral. Problem has been finding suitable base. Disembodied spirit won't do.

Capital n.g. - migrates. Seems fixed, but deceptive - requires frequent replacement [if const. matrix] & can be replaced elsewhere. Mke. keeps losing to Calif. - one of our largest industries.

Labor n.g. - slavery. Migrates

Land good. Appraisable capacity. Tax daylight, not one ft. ^{will put on a square shoe} walks out. Mke. keeps losing people to L.A., & occasional ball game, but no land.

Remarkable quality, heavier tax, greater incentive.
To be cherished

III Current political activity

Idea around longer than Stassen. Buried, like property tax, only earlier. Reports of death greatly exaggd. ACA 20

Even provoked a stop ACA 20 movement, Emmet McCabe.

Hawaii

Applications of long standing: Calif IDs; Antipodes; Denmark;

Hesitate to cite Pittsburgh, but really isn't 2:1, but $1\frac{1}{3}:1$.
More can be done within latitude normally allowed to assessor.
Based on general climate of opinion. And has been done.
And more is being done - widespread reassessment.

Special abatements. Mo., Ct. Wis., called a "freeze" -
^{an allusion} ~~no~~ no doubt to our ^{climate} ~~climate~~. 1-20 yrs — as good as $\frac{3}{4}$
~~exemption~~ exemption.

IV Proposed Tax Base

Differs from freeze

a. Universal

b. Permanent - in respect to enterprise of individual
changes w. environment - "public value". Not as individ.
improves, but as neighbors & govt. improve his opps.

c. Not based on old bldg, but o.c. of site - ^{which had} ~~rise~~ ^{rise} ~~but~~ ^{of bldg. exemption} ~~exemption~~
How find that? The mkt. sales of vacant

land, & demolitions. Follows IRS
Needn't tear down all bldgs. to find it. Model bldg. Many streets, all prices based on imagining ^{bldg.}
~~and~~ interpolate. Show contour map. Solve 90% ^{cases} ~~this~~

Don't get hung up on detail w. assessors &
appraisers. (Grit story)

(Ask yr. mother)

II Effects on land use of exempting bldgs & shifting to land.

Genl principle: If taxes on parcel depend on use, bias mkt. against the heavier taxed use.

A. Accelerate renewal

Every site in const. press or compn. betw. defender & challenger
 [Differs from most resources thus. Ects. speak of o.c. Most res. lose it as soon as embodied in products. Land never does. Always salvageable.]

Treasury not neutral in this contest. Renew, taxes rise
 Tax base rises by full Co of new bldg.

No offset from demolition - was worthless, & if you bought it, full price is part of r.e. value - plus new Co

So challenger is competing with a pail of sand in either hand. Avoid tax by non-renewal

When renew? Defender ceases to earn a return on salvage value of site. Easier, $R_D < A_c$. (annualize, use banker's formula)

Challenger has ^{one} pail of sand - cap. charges.

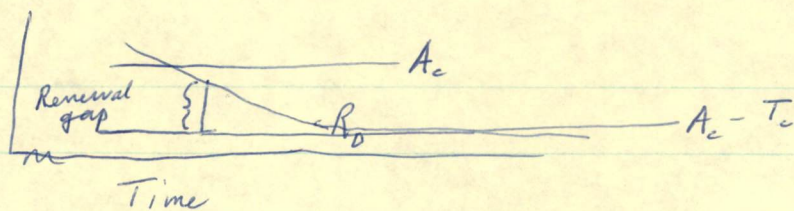
Tax adds 2d - yrlly. tax. (As approximation, don't bother to annualize)

~~$$R_D < L R_c + T_c \quad \text{or} \quad R_D < C R_D + T_c < L R_c$$~~

~~$$R_D < L R_c + T_c$$~~

$$R_D < A_c - T_c, \text{ where } A_c \equiv \frac{\sum [R_c (1+i)^{c-n}]}{(1+i)^c - 1}$$

[and T_c is also smoothed out, but as approx., take T_1 .]



Delays renewal by many years. In some areas, thru reverberating neighborhood effects, indefinitely.

Is much land that wd. be renewed immediately w/o bldg. tax.

How know?

a. If lump value of $T_B = 50\%$, & bldg. = $10 \times$ site - want! \$300,000 apt. on \$20,000 site, now can bid 170,000

b. Wh. Bay program. collector, to let's subsidize people to pay more taxes. What's of neg. value to taxpayer is of + value to tax

(Show map)

c. Our L.v. map, vs. mkt. values. Many areas, most r.e. value is o.c. of site, even now. Discuss City of Mke Data, '62. (Supplements 1 & 16)

apt. sprawl & its meaning.

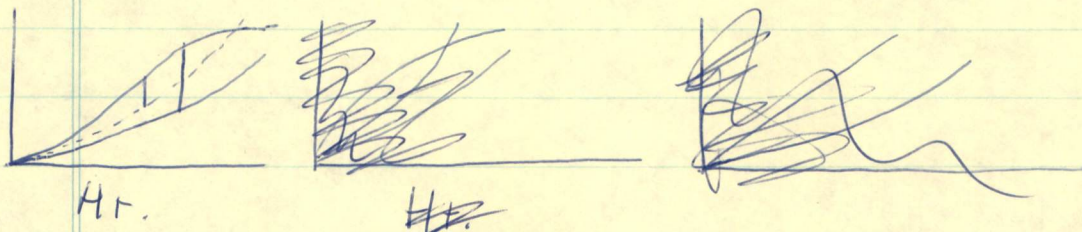
Banker l
gas - get
along on 5?

B. Weaken bidding power of speculators relative to builders. Extend credit to builders. Exhibit 2. This relieves objection + heat prop. tax exerts too much leverage.

Land tax looms larger to old settlers than to enterprising nouveaux. p. 2 for algebr. p. 3 for numerical - for concrete heads.

Read Leon Hickman

C. A intensity in areas of high demand. Exhibit 3. Not hcs. land tax higher, but bldg. tax lower



6
Reduce ground rent - by more than tax take. Excess burden.

D. Shift tax base to center - & accelerate renewal there.

That is already where l.v. are higher 70-90% of sites underimproved. Is where hi rise is approp., & get biggest gains from exempting bldgs.

E. ~~Area~~ ^{Essence of a city. ~~Area~~ Bring cbd back together.} Area specialization. Δ bidding power of highest use. Now, apts can't compete w. gas stations etc. for best apt. sites. Then, they cldn't be stopped.

Make CBD truly exciting, serve its fun. Focus demand, keep up yr. interest.

Leave open space in Arcadian tranquility

F. Maintain tax base

~~At~~ In the e.g., tax is 12.1 vs. 8.0, ~~but can~~ by keeping rate at 3%. But land tax will continue at that level - bldg. tax will drop. And right now get more from all the underdeveloped lands & old bldgs.

But now can raise $\pm$ as much as desired. Is basically more to draw from. Hwy has risen from 16.2 to 25.5.

Will have to raise $\pm$ to avoid large unearned Δ .

Δ tax base. Bring laggard lots up to hi standards, all over. Now, 5% land does 75% work, pays 75% taxes — but isn't the best land, is studded all over.

G. Lower costs of distrib. nets.

a. Denser settlement. Costs are largely fn. of area.

Univ., indep. entrepreneurs held together by central heating plant.

City is held together by ees. of scale of central facilities.

Fill in vacant areas. Balance prt. w. public facilities.

Reduce long pd. of deficit for new areas. Permit immediate
sizing to ult. density

b. More multiple units, w. inner distrib.

c. No taxes on utility plant. ("I am for enterprise")

d. Further ees. of scale as lower rates ~~attain~~ as use.

e. Faster replacement of utility, as demand warrants. - & won't A
taxes on utility.

~~Public enter~~

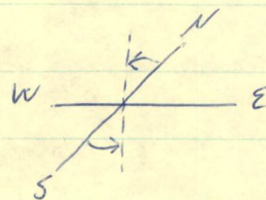
H. Ease traffic congestion. Extension of G.

1. More walking

2. " public transit

3. Shorter distances to travel

Flat land parable



I. A emplant.

VI

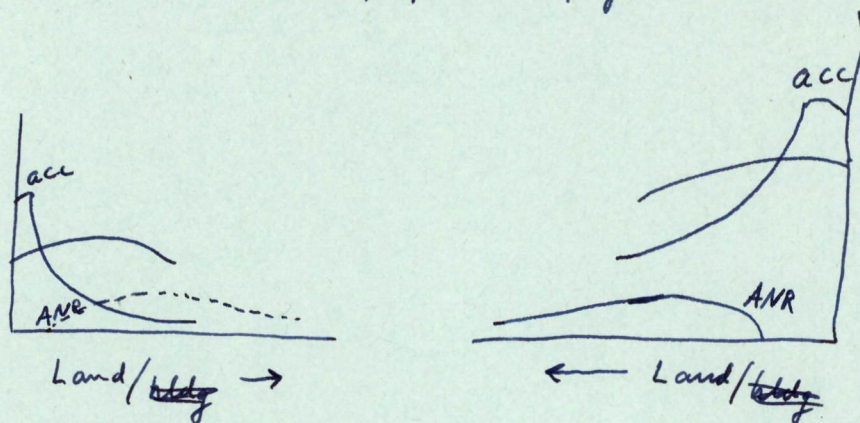
Conclusions

Can keep prop. tax.

Lay off new bldgs. Read ~~Learn Hickman~~

Try it. If it doesn't work, well, ^{come back & see me again} . . . "I get so discouraged"

B. Compar. among uses of different intensity
 Use w. more capl./land pays more.



after taxes, Left gains land from right. [increases
 contrast of intensity.]

Wis. State Assessor, Dec. 2, 1963

Petshek Sem., May 11, '64

Constructive Uses of the Property Tax ^{worthy causes...}

~~Must hit & run. Or may strike out~~

~~But - - be amazed what some people think of their assessors.~~

~~Honored to address you. Assessors ~~are~~ one of greatest forces for good or evil in society~~

Power to tax ... power to keep alive. I add, bring ~~to life~~ alive.

50% sales tax, new bldgs; force intensive devmt. new lands; etc.

~~Man~~ Man who handles dynamite like chest, engaged in very important ^{responsible} work

Some make sounds as tho ass. merely keeps the store, records like a camera, follows rules set by others. Makes a good story for irate taxpayer, passing buck. Can't fool me. ^{I never ass. in skel's work but?} I am watchbird who's been watching you for many yrs, many states & countries.

ass. has great latitude. Can exercise leadership if he wants. People is a headless monster. Ass. can only lead w-in certain brackets, but all leaders have limits, checks & balances.

My subject, division of assmt. between land & bldgs.

^{assessment}
Seargeant's cake has a punch

~~There are ends in life higher than just keep'g out of trouble, let sleep & lie.~~

~~Constructive use of property tax. as a tool of devmt.~~

1. Contradiction in terms? For years we've heard negative

- a. Regressive
- b. Inflexible
- c. assessment is subjective
- d. stifles building

2. Criticism imbalanced, & much folklore. But some truth.

- a. Prop. more taxed than inc. ^{Winkles} - cite B.W.

Need not feel guilty on that score.

Esply. if you assess w/o size discrim. - & ^{most do, urban.}

- b. Inflexible?

Not all bad. Leverage is incentive. Potent position leverage of fixed burden on land, to develop to capacity. Just be sure to apply in right place - downtown

Slow reasmt. is problem. Give ass. more money. As to total burden, can change rate yely. It is local budgets that are inflexible, under any tax.

- c. Assmt. subjective? Inc. tax also requires appraisal.

The major truth:

- d. Stifling? Or trifling?

Yes. 50% sales tax. Adds 30% to rents.

Part squawk level. Serious obstacle to renewal.

3. How improve? Working w. Uhl

Begin, conceive of ideal tax, re incentives

Fixed, regardless of your enterprise, or lack of it.

No matter how heavy, no depressant

In fact, the heavier, the more positive leverage - a downright mandating injunction, shave or get out of the shower.

Problem, what base?

Disembodied spirit?

Poll?

Most bases are some act of enterprise

Site - capacity. Tax the daylight, won't walk out of town.

Has remarkable quality, the heavier the tax, the greater the incentive. ^{e.g. exclusive ag. zones} Wd. hit center city more; & simul. stimulate its renewal.

4. 3 stages of new idea. This one reversed sequence.

Now always known.

Bcs. safely dead & buried? Might have thought so 5 yrs ago. ^{But as Mark Twain said, Rpts. of my death have been greatly exagg.} But has been quietly proving itself in several pilot plants. Adherents have been pouring out of the woodwork recently, numerous, strong.

a. Pilot plants. i) Pittsb? - hardly, any am. has latitude to do more than that.

ii) Calif. I.D.s.

iii) Antipodes - steady advance

iv) Denmark.

v) N. Westminster, B.C.

vi) Most big Pac. Coast cities, by assessor latitude, ^{until recently.} ~~up to early '20s.~~

b. Current advances More than Pittsb. plan.

i) Hawaii

ii) Jamaica (imported Australian assessor)

iii) Campaigns in Calif. & Pa.

iv) Reassessment of land, by assessor latitude - widespread.

5. Under our noses, a sort of appln. assmt. freeze.

Differences:

Universal

Permanent.

Not that assmt. won't change w. environment. ~~is~~

Unaffected by enterprise of individ. owner

Not based on existg bldgs. initially, but s.c.

6. What is s.c.? How unscramble onclette?

Onclette school, Wenzlick.

Scrape off buying price

Happens all time - demolitions.

S.c. is what pay for both site & old bldg. (+ demolition cost)

Eccentric buyer? Eccentric seller. they make mkt.

Is same method used by I.R.S.

✓ 7. Would s.c. be enough tax base?

a. ^{Land} is a higher ^{of r.e.} 70% than now assessed. E.g. area shown on UWM map. Eve of demolition, bldg. value = 0, but ~~assmnts.~~ assmnts. don't reflect it.

b. Same base as now, just a different approach to it.

Tax exemption of bldgs. capd. into l.v.

E.g. \$300,000 apt. on \$20,000 site. Drop tax, whose lump value is \$150,000, big change.

also, wd. be a costlier apt.

8. Effects

8. Wd. assr. be setting values?

Begin w. mkt., interpolate, draw contours

Follow zoning & master plan - is means to implement them.

Raise values first where they are most certain. By the time you get to uncertain areas, demand satisfied at center.

9. Some effects

a. Shift tax base toward center — but simul. stimulate renewal of center

b. Shakeup of ownership. Shave or get out of shower. "Strong hands" prove weak.

c. Accelerate renewal. Challenging & defender.

d. Contain sprawl. Synchronize pvt. invt. w. public.

Δ neighborhood specialization — reduce internal sprawl.

e. Attract indy. & other fiscal surplus uses.

f. Cause to build sites up to zoning. End "excess burden"

g. Flood market? Δ supply new bldg; also Δ demand, compensate.

Bring on problems of growth? More growth, yes - but higher 5
generality. Now old bldgs, attract low income, low edu. people.
Determine character of city - potent selective process.

Travis

10. What can assessor do?

Supply leadership

a. Use latitude he already has, go further than Pittsburgh.

None? Part is the law, part is how interpret it. Never gave assrs. enough money yet to follow law as written. He decides what can get away w. all kinds of things by plead'g poverty, by long experience.

Ang. land cheapest part of job.

Get in trouble? Keep'g out of trouble is not highest end of human endeavor.

~~But~~ I have high enough opinion of human nature to think many assrs. wd. rather ^{help improve} ~~lead~~ their communities.

b. Pol. ldrshp. We look to you for expert advice. Push & extend assmt. freeze principle - on bldg.

11. 4th estate, Barnum.

Const. Uses of Prop. Tax in Urb. Renewal

Intro.

Seize opps. like this to try out new ideas, or new ways to express old ones. If appear unfamiliar w. mtlb., ^{not bcs. I didn't know you if I'd wanted, I thought you} bcs. almost as new to me as you ^{wanted that.}

also hope if I appear vulnerable, will encourage some of you to ~~try~~ sharpen yr. claims on me. Take my honorarium from criticism of audience.

Title: a contrad. in terms? Some might be happier if I said "less destructive," but I go further, say it can be made downright constructive. Will settle for the lesser objection, [I some purists might regard that as better bcs more "neutral," & no I wd. dispute that.]

✓ Tax can be very heavy w/o discourag'g enterprise. In fact, reduction of assets & liquidity spurs enterprise. Has led to what dampens enterprise is Δ of tax in result of ent. Has led to uncertainty re overall effect of tax on enterprise. But I lead you into no patches of uncertainty. It is certain if extract more tax w/o ~~by~~ as lump sum, not contingent on enterprise, will what enterp.

~~How will I hold that up as norm, either~~ ^{ed. make status of state.} Neutrality is norm. Room for dispute re proper status ~~quo ante~~ tax, but at least makes

Will not enter on gn. of neutrality as a norm. Is hard to define 2
status quo ante tax. Neutrality is will-o-the-wisp. Leverage vs. dilution.
~~some progress toward consensus.~~

Will discuss

Modifns. to discuss is converting r.e. tax from land & bldg. to
land alone. Not "single tax" - more comprehensive.

Idea has bn. around long time. Older quarters had fixed ideas -
fixed w/o ben. of much study, but ^{they were} fixed ^{for all that.} ~~nevertheless~~. Theoretical curiosity,
moral outrage, acad. albatross, & political corpse.

Lively corpse. Califs. will have oppy. to vote on it in a few mos.
Backed by orgd. homebuilders, Time, Inc., & miss. orgs. support from such
varied quarters as R.M. Hutchins, Eichler, Pres. for Thompson. (over)
Existed in Calif. since 1907 ... I.D.S. Several cities, by informal

assmt. adjustment. Probly some cities, so popular in rural areas.

Ha.; Antipodes; Newark; Pittsb.; etc. etc.

Grub. move toward reassmt. today.

Espl. interest shown re urb. renewal. Is where ? come in.

U.L.I. Pres. change wd. accel. renewal.

Is not, so far as I am aware. highly regarded by Irvine Trustees,
Chandler, M&L, KCLC, J.G. Bassett Co., James Inv., Limoneira, S.P.,
Brynmor Inv., or other holders of underutilized land.

1. How bldg. tax retards site renewal

Has bn. resid, v.e. owner doesn't care why he pays, just how much. But focus on yr. of decision, renew or no.

When shd. renew old site? Put it several ways, all =nt.

a. When old ~~improvement~~, the defender, ceases to earn a return on the site. (Yield net of current costs, gross of sunk costs)

Why the site? Bcs. has an o.c., a future alt. use.

Other res. had o.c. once, but since bldg. they are ^{love and fear} sunk in irreversible commitment.

Omelette school says can't unscrew. ^{love and fear} But can scrape off fry's pan.

Implies opposite of resid. treatment for land. Agred. anal. has shown us land has no better claim to resid. treatment than others. Now, I say has worse claim, ^{when consider over time.} Land has o.c.

at all times; others are sunk, lose o.c.

(over)

How value the site? Highest & best future challenger. Rent imputed to land by, & capd.; or, sum of future net revs. discd.

$$S_e = \frac{\sum [R_n (1+i)^{t-n}]}{(1+i)^T - 1}$$

The "-1" takes care of all future

challengers of 2d & higher generations.

What's become of simple capn? Is ok if you have const.

ply. inc. stream, and can annualize an irregular one, is simpler that way, so let's.

$$a = \frac{i \sum [R_n (1+i)^{t-n}]}{(1+i)^T - 1}$$

And, current net inc.

a 2d challenger is always partial renewal, say "remodeling". Cd. treat as another challenger, or an option of defender, a lump of "OLM" to be spread over several yrs receipts.

of defender must not fall below a from top challenger.

$$D R_n > C_n^t \text{ neg. to stop demolition.}$$

Defender has advantage of not having to deduct net off sunk costs.

Challenger has all the other advantages, purely ex. Defender is obsolete, deteriorated. Replacement time inevitably comes.

But defender has inst. aid. Espl. fiscal.

How express?

a. Annualize net revs. of a vs. T. Take e.g. where

$$C_0 = 10 \cdot S_e; \quad T = t C_0; \quad a = i \cdot S_e$$

$$T = t \cdot 10 \cdot \frac{a}{i} = 10 \frac{t}{i} a. \quad \text{If } t = .03 \text{ \& } i = .06, \quad T = 5a$$

b. Convert $\sum T_i$ to lump, cf. vs. C_0

Say 60 yrs. Each dollar worth $\frac{1 - (1+i)^{-60}}{i}$

or \$17, So 3% is \$51 on 100 or 51%.

So, from value of site in new use, deduct 50% $\cdot C_0$.

Every piece of land is constantly

in press. on the block, between defender & challenger. (Thus differs from most other res - reuse value). Fisc. enters compn. on side of defender. Reduces challenger's bid for site by 50% C_0 .

$$\text{In qual. } T = \frac{C_0}{S_e} \frac{t}{i} a$$

$$\text{or } \frac{T}{a} = \frac{C_0 t}{S_e i}$$

W/o tax, a wd. be 6 times higher!

Net rev. to landowner under new use wd. be that much higher
Renewal wd. occur when yield from old use was 6 times today!

~~How~~ How long does fiscal interposn. delay renewal? Depends on area. But many areas, common pattern, i.e. value drops to 10% over reuse value of site, stays there for decades. [My house, e.g. Occasionally

congrat. myself for house worth \$X, & land, too. But can't have both.]

Renew only needs to be goosed up 10% to bring renewal. One village does this. Absorbs demoln. loss, $\frac{1}{3}$ of r.e. value, or $\frac{1}{2}$ of renew value, recoups loss by Δ taxes.

✓ If village attributes + value to Δ taxes, builder attribs same neg. value. (more, excess burden). W/o bldg. taxes, priv. bldr. wd. absorb demoln. loss — i.e. site worth \$15,000, or 50% more.

(If land tax higher, site o.c. maybe lower, but so is value of old r.e. by same amt.)

Now, in renewal, in selling sites, present value of antici. bldg. taxes are $> S_e$! $\tau C_o > a$

"Renewal gap": "D" is value of Refunder in place. G is Gap

$$G = D - S_e$$

Tax, ^{on bldg.} as lump sum, ~~also~~ counts. part of G, by lowering S_e
Lowers it by 50% of C_o + excess burden! Cold bldg is taxed, too, but that falls to $= S_e$ just before renewal, & is surely not much above S_e for yrs. before renewal

Const. Use of Prop. Tax on Tri. note. ~~Touching by~~ ~~turnout~~ ~~in comp. w. series.~~ No house, but strike out

Fertilizer

Press present. Burman. Also appear. correct quote. ~~but not much space from Green Book~~

1. Subject seems like contradi. in terms. For you, we've heard neg. case.

Faults - Regressive.
Inflexible
Repressing

2. Unbalanced.

Refute some, folklore.

Regressive? -
- cite BW.

Inflexible? Is of some benefit, re incentives. Leverage - in s.r.

In some ways, has makings of an ideal Tax, it is ~~caution~~ ^{5.8} Fixed Leverage.

3. But much truth. ~~to~~ I ~~emphasize~~ correct argument In l.v. not fixed.
30% sales tax on new bldgs.

4. So, can we improve? ULI wants to know

1 dead Tax, re incentives, is fixed regardless of what you do. Thus, no matter how heavy, no depressant. But much leverage.

Problem, what is then the base, if not something you have done?
Site value.

5. New idea, 3 stages. But this one reversed sequence. Shock felt. 50 yrs. ago. Since, too ridic. Now, always known.

Bes. dead? ~~How~~ Mr. Twain. Pittsb.; Hla.; Calif. campaigns. Ste. steady expansion in Austr., N.Z.; Jamaica. Calif. I.D.s. New Western. &c.

6. Indeed, a sort of appln. here, in assmt. freeze. Svt is extended
assmt. freeze. Not that assmt. won't ^{happen} ~~happen~~, but won't as direct result
of anything you've done. & wd. apply to anyone.

6½. What is sv? Unscramble on-site? Scrape off b'g'g. par., happen all time.
~~Many options, great detail, must skip here, (return later?)~~ 1. Omnibus par. (2 zone)
2. Termin par. (2 zone)
3. Cal. par. 4. Mut. mut.
Gurly bias of appraisers to understate. & in popular thinking.
7. Research - what wd. happen to land use? Many areas is what zoning allows.
Must coord. w. zoning. Mandating
element.

8. Prelim., what happen to l.v. & tax base?

Abstract'g from effects on land use, & deflation of float'g value,
as 1st step, l.v. unchanged,
or rise. Bcs. no bldg. tax, [No excess burden, so rise]

E.g. if sh'ld. shifted, incl. returns to capt. Δ, immigrants.
Big unearned Δ to some landowners from exempt'g bldgs., apt areas.
~~What of people who~~ \$300,000 apt. on \$20,000 site, huge l.v. Δ
And wd. build a costlier apt., too.

9. Effects on land use. - ~~as~~ General.

alter ability to bid for land. Uses w. more cap/land ratio
or bldg ÷ s.v. ratio wd. expand.

Substantial shakedown, reallo'n. Some by present owners.

Much wd. call for sale - large Δ in v.e. offices.

Surpris'g resistance to sale concept. Tradition of "to the
glebe adscript."

Mule. Harvard MA

a. Future use encroach on present. ~~to~~ Relative value of land in ^{best} future use rises. ~~At~~ 30% sales tax, bldg. tax resembles (if ~~tax~~ ^{assmt.} rises by full amt of new bldg.)

In W.B., e.g., wd. approximate results of renewal program. Now WB comp. self by future Δ taxes. W. svr, wd. be none (except should), making land worth less to defenders, & more to challengers. Moves in areas of hi local. obsoles., future use more intensive

b. Initial quality of new bldgs. As

c. Intensive use encroach on extensive

E.g. apt. v. gas station, ^{equal site} ~~H. Clay St.~~ Apt. \$300,000 Each pays ca. \$4 sf, or \$80,000.

Taxes on bldg alone are \$9,000 a yr., or present value c. \$150,000.

Lift them, apt. can pay much more for site. Gas station, taxes wd. rise, bids less.

Probbly, later, expansion of intensive uses wd. take pressure off l.v., & as they expanded wd. become less intensive.

d. Lot coverage, ht.

Continue to be dominated by zoning, as now.

More owners wd. bld. to allowed limits. Zoning wd. become more meaningful, definite.

(curiosity - center gets more tax & more incentives)

e. Subdn. here, assembly there.

f. soc

More supplied partly, inside ^{apts.} ~~multi~~ family bldgs, dept. stores, factories.

Now, Tax vertical & part. apt. to subsid. horiz. & public.

R.H., ca. 700 d.u.s. cf. 7 hi-rise apts, 1 block. Much cost in apt. in distribg. gas, electric, wtr, sewer, phone. Light'g halls. Elevator.

g. Human intensity

More floor space cap/cap. Probably more floor space; never.
elastic demand for bldgs, floor space, resid. office.

Probably more floor space/acre.

Net result, indeterminate

10. Classes of land use allowed to expand. and/or locate better
Push all land to highest & best use.

a. ~~Appts~~ Hi-rise

1. ^{Hi-rise} ~~Appts~~ Lower rents 20-30%. Elast. demand

Not all area now touched by float'g value wd. remain so, go into apts.

Float'g value problem.

Imaginary bldgs. near n.e. & near w. sides.

Gambling - A. Marshall - needn't go to Vegas.

Lag of devmt. of best sites diverts demand, suffers in w. it, our side area.

Solution: set assessor, & zoners, begin where demand strongest - e. side of Prospect, near downtown.

b. ~~Trudy~~

~~Hi nation bldg / land.~~

2. Officers

Marine Pl.

3. Hotels

Braun proposal.

4. Dept. stores

Review escalator.

Where customers? From apt.

5. Hospitals

b. Trudy.

Hi: bldg / land. Enhance ability to pay. Weaken Mrs Schultz holdouts.

Hi elast. of demand. Expect to reach ults.

c. Utilities.

Triple-barreled ~~gain~~ effect: lower tax; decrg cost; compact. prop.

11. Conclu.

As research scholar, wonder why oppn?

Not that won't do what claimed, but is gr. if we want that.

~~Problems of growth.~~

a complex of feelings

a. Avoid problems of growth

b. " corrup. - Shmon complex

c. " school taxes

d. Fear of mket. collapse, bur. floating value, if let &/or

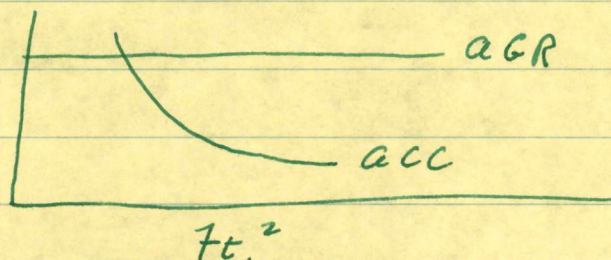
incite landowners to highest & best use.

I don't know what to do about a & b; c) maybe offset by other
savings, & d.e.v. brought on by concn. of popn; d) avoid by anti-
applying svr to best sites first

Press present. Barnum. If quote me accurately, so much the
better.

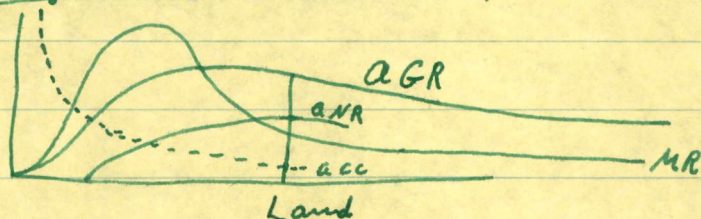
Send mtrb. to Harold

Post mortem on Graves Sem.



Why do ACC fall? As lot gets larger, bldg. cost Δ s in lesser proportion, even if bldg. rev. remains const., b/c. of scale ecs. in bldg.

Step 1: Begin exposition, tho, by assuming ~~CC~~ CC do not Δ at all, & you are spreading overhead of fixed bldg. over more space. Permit changed character of bldg., what is fixed is cost. Then you have a straight case of vble. propn. & dim. rets. You are spreading overhead over more land



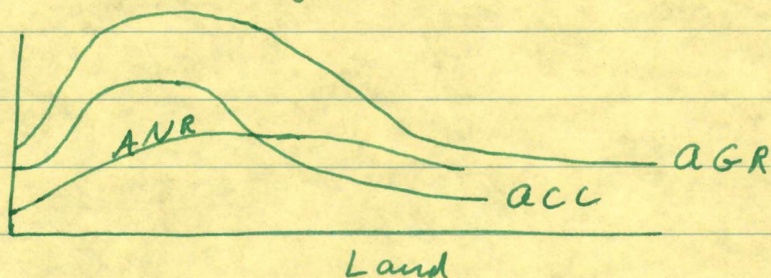
[Max. ANR shd. occur where $MC = MR$, in eqn. ?]

[Yea, MC of land shd. become = Max. ANR, and = MNR where $MNR = ANR$.]

Step 2 Now, I say as land Δ s, let bldg. cost Δ as befits new size. Begin w. just one style of bldg. residences. Cost doesn't Δ ~~in~~ in propn. to land. Again, spread overhead — this time the overhead of the "irreducible minimum" cost of a bldg.

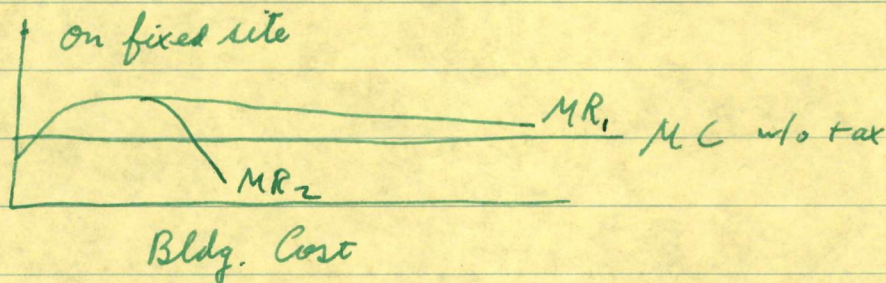
Step 3 Now let bldg. style change. You run into possible discontinuities? No, you just extend area of Δ g opt. acc,

which I have neglected.



That really doesn't change anything important very much. Just carries + ANR back to ordinate. Or near it - probly in most areas there is a min. viable size.

It may add power to the excess burden argument, tho.



MR₁ --- hi excess burden

MR₂ --- low

(Relate to Paul's figures)

Correct statement we have no land below .05 p5t
Black pins go lower.

Where there is excess burden from bldg. tax, relief from ^{tax} adds to l.v. more than - a bldg. tax.

Ra \$300,000 apt., tax burden lump = 150,000, on 520,000
site. That apt. cd. go to a \$170,000 site; if no bldg. tax?
Even w. higher land tax?

Informal. Have a canned speech left behind. Prefer giving & taking.
Try out some new ideas.

I. Land & fiscal problems

1. Uneven utilization of capacity of land

46% vacant - altho all urban, at least \$2,000/a.

altho ~~\$450~~ most current bldg. beyond Cty.

Not peripheral - $\frac{1}{3}$ CBD is vacant, at \$3 - \$40 pft.

Much underused. Vacant is top of iceberg.

Perf. mkt. tends to = intensity. Refute Ely.

Attribute to differential carrying charges.

$$MNR = MC = P(i + t) - \Delta P$$

$$\text{In eqn., } \frac{MNR + \Delta P}{P} = i + t$$

Credit rationing allows great differences of MNR.

If $i = 3\%$ & $\frac{\Delta P}{P} = 3\%$ & $t = 0$, can hold idle.

Unequal intensity. Housing:

Area	% of Cty	% of hsg land	% of d.u.s
1700 a.	1.1%	3.3%	20%
13,900 a.	9	29	4%

Above understates contrast. All of R.H. 700 d.u.s.
cd. go in one block, 1 apt @ 100 units.

Industry:

$5\frac{3}{4}$ mi², 2.4% of Cty. Pays c. 30% taxes.

At Am. Motor density, $5\frac{3}{4}$ mi² wd. employ
2.2 m. men.

2. Spatial disintegration

~~But~~ Counterpart of vacant & underused

Not just at fringes. Few areas are stable - a middle ring may be.

Cpt. sprawl. Goes clear out. E. & W. side scatter.

CBD sprawl

Public & social costs. Epitomized by utilities.

Networks longer, nodes smaller, coverage lesser, replacement slower, demand more variable over life of facility, pooling of demand is lessened.

Same for xpt.

For all, reduced linkages & specialization etc. Devolution of the spatial distributive organism

3. Erosion of Tax base. Displacement of fiscal surplus by deficit land uses.

E.g. parking lots. Replace structures, ^(including parking structures) lower taxes.

Their bidding power enhanced by taxes that structure wd. pay.

Aging & non-replacement. Capl. exported. Again, fisc. enters bidding on side of old use. Bid of new user is reduced by tax he wd. pay.

How much is that? On each \$100 of value of new bldg., \$3 a yr. for 50 yrs (roughly). \$1. a yr. for 50 yrs. at 6% is worth $\frac{1 - 1.06^{-50}}{.06} = 16$; $3 \times 16 = \$48$ or roughly 50%

Challenger competes w. millstone on neck.

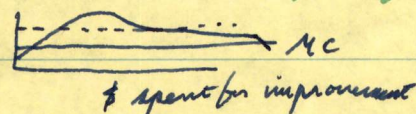
4. Slow renewal freq.

5. Erosion of surplus base.
Capl. reinvested elsewhere.

6. Etc.

II. Effects of shifting tax base.

A. End erosion of base. Can't leave town. Qualities of welfare
ideal - lump-sum tax. No excess burden.



B. Speed renewal

C. Remove fiscal bias from bidding for land. Move to
neutrality. Thus get apts. in right places. \$300,000 apt.
now barely competes w. gov. site. for \$20,000 site. Remove tax, move them
to central sites, replace plums.

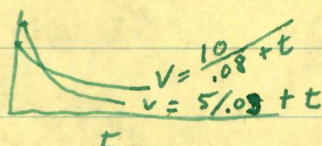
D. Permit more ex. use of utilities, where excess burden is high

1. Remove tax ~~bias~~ where costs are decreasing & demand elastic

2. Consol. service area.

3. Reduce demand shifts over plant life

E. Improve land allocn. by diff. capr.



$$V = \frac{a}{i + t}$$

III. Problems & Techniques

Unscrambling conundrum.

Concept of l.v. — price on eve of demolition; or of vacant.

In many ways easier than assessing whole. — e.g. Downing's Law, by blocks.

Some tough problems.

E.g. *Omnibus penitus*

tribus ..

Dominus ..

Etc.

Generally, assume all can change w-in individ. control, set highest & best by that.

But recognize larger effects, be prepared to change gty. And begin in middle from start.

Big fear is mut. mut.

Allay w. macro.

Another fear — enough tax base? Non tax of bldgs goes into site.

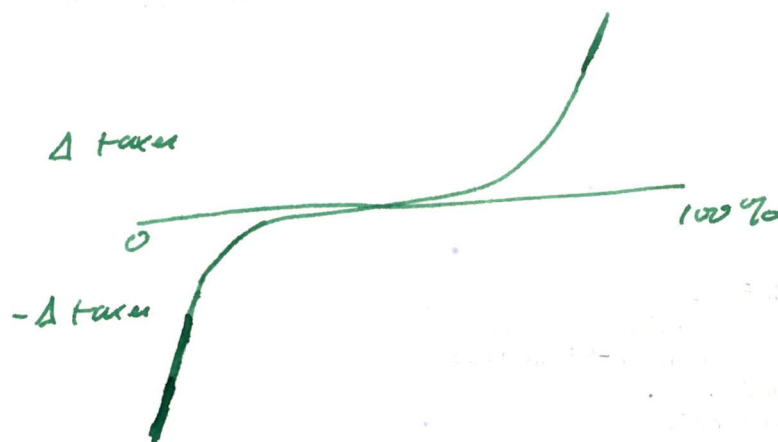
Separation of L.V.

spread

Green spots. Would they be too valuable for city to keep.

Slums

Effect of
shift to
L.V.



The University of Wisconsin



DEPARTMENT OF ECONOMICS
SOCIAL SCIENCE BUILDING

MADISON 53706

2-2817

April 27, 1964

Prof. Mason Gaffney
Department of Economics
University of Wisconsin-Milwaukee
2002 E. Kenwood Blvd.
Milwaukee, Wisconsin

Dear Mason:

Greetings. We are looking forward to your visit on May 5. Could you have dinner (very informal) with us about 6:00? Bring along anybody that you would like to bring. Unfortunately, I have to attend a meeting in Chicago and will be getting into Madison on a 5:30 plane. It will be good to see you and to learn more about what you are doing.

Sincerely,

Harold

Harold M. Groves

HMG/dm

*Vilas Park, 2 or 3 days from
1418 Drake, 6 PM
12 people + 1 law prof.
2 hrs. or less.*

I. Mbe City, land & fiscal problems. (aerials?)

II. Effects of shifting tax base

III. Problems & technique of ~~shifting~~ tax s.v.

Feature points:

1. Excess burden, change in what is best bldg.
2. Excess burden - utilities
 - a. Folly of taxig - Ag cost ~~indly~~ opn.
 - b. Cost from spatial disintegration
 - c. " " uncertainty, re sizing
 - d. " " overexpansion to placate distrib. equity
3. Defn. of l.v. Unscramble conelatto
4. Green spots. Too valuable for city to keep? ~~Opposite~~ - No change from now. Can sell, & Δ tax rev. but at cost of reduced rev. from other lands.
 5. Faster renewal - higher yrlly. holding cost of land.
- 4 $\frac{1}{2}$. Capn. - what happens to tax base? Δ l.v.
6. Ely's argument re underuse. Use f.a.v.
7. Deficit uses burgen. surplus uses free. Slow renewal
8. Smoothing out unevenness by differential tax capn.

Clement Talk

Major effects of shift

✓ a. Δ land tax is, as 1st approxn. neutral. Business end of prop. is exempt bldg.

b. Effects on land use

1. Δ intensity in center - less elsewhere
2. accel. renewal - both temporarily & permanently
3. Lower utility costs

4. ~~Improve xptn.~~
Lower cost of pub. xptn.

5. Δ area specializn.

- a. By natural zonis
- b. By sol's distrib. equity problem

6. Synchronize priv. & public devmt.

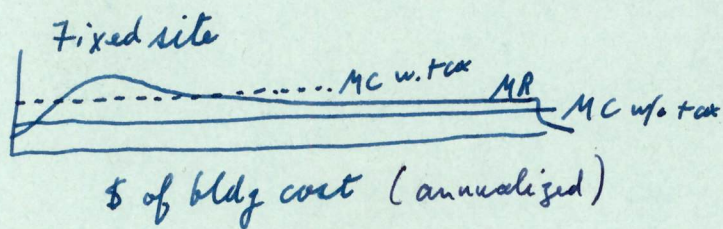
c. Other important effects of shifting to svl.

Lower capt. barrier to bldg. - defer taxes. Present value of stream of future taxes depends more on i. Make an example, a sensitivity analysis.
Lower risk of bldg.

d. How unscramble land

Explain bad habit of sieging occasions to try out new ideas. ~~Take my hour as in~~ in kind, in terms of criticism of audience. (90)

Effect of ~~of~~ r.e. tax on factor propns. a) instantaneous approach.
b) over time



Bldg. tax cuts back bldg.

It also lowers l.v., thus lowers cost of hold'g land, thus doubly alters factor propns.

As to land tax, it lowers l.v. by same propn., no net change.
(Not quite. $V = \frac{a}{i+t}$, so $-\Delta V$ is in lesser propn. than Δt , and there is some Δ in cost of hold'g land, even if all had same i . In addition there is diff. capn.)

If lump-sum bldg. tax = 50% of C_0 , does annualized tax, T_i , = 50% of annualized bldg. cost? Yes. But there are other costs, [not taxed], o & m, so bldg. tax adds less than 50% to them. They are of course subject to other kinds of taxes.

As tax lit. shows, essence of ~~distorting~~ non-neutrality is a tax is disproportionate burden, causing subtn. R.e. tax is distorting bcs.

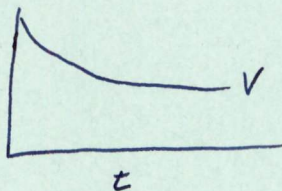
- ✓ disprop. a) Taxes bldg., but land escapes by capn b) Mises o & m --- (less input., bcs. they are taxed other ways) Causes subtn. of o & m for capn. c) Taxes durability in bldgs $P_0(i+t)^n = F_n$. ^{annulose} Nest of trees analogy. Doesn't reduce longevity, just durability. (i.e., Δ repl. freq. of capn. but not renewal freq. of sites. Wickrell's pd. of ...?) d. While land escapes land tax, its value is lowered by bldg. tax, lowering bldg. cost. e. Land has non-pes. alternatives f. Land yields cap. gains.

Land doesn't escape entirely

a. ^{it would,} ~~one~~ w. one universal i , and no $\frac{AV}{V}$, $V = \frac{a}{i+t}$, so tax isn't completely

capitalized

Let $i = .05$
 $a = 1.00$
 $V = \frac{1}{i+t}$



$$T = Vt = t \frac{1}{i+t} = \frac{1}{\frac{i}{t} + 1}$$

$$\frac{dT}{dt} =$$

t	V	Tax
.00	20	0
.01	17	
.02		

Wait! Cost of holding title is $V(i+t)$. Is that constant?

Yes, bcs. as $i+t$ rises, V falls in same ~~prop.~~ prop., so $V(i+t) = k$

Burden = a , bcs Annual Holding Cost, $AHC = V(i+t)$

$$= \frac{a}{i+t} (i+t) = a$$

Int. burden falls as tax burden rises, exact offset.

Why doesn't same reasoning apply to bldgs? In part it does - i.e.

~~to bldgs~~ present value of bldg is lowered by antic. future taxes. But in response, tax avoidance is possible, build less.

Excess burden also requires possibility of avoidance, or supply elasticity. Land has demand elast., but not supply-elast.

all "firms" might use less, hence lower aggreg. supply, but then there wd. be excess land at zero price, or new firms. And "firms" are really demand, not supply.

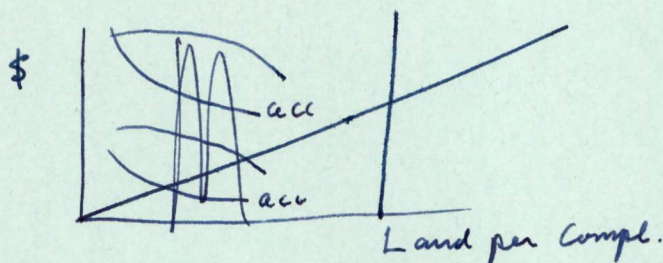
In city, burden of bldg. tax heaviest where bldg./r.e. share highest. That is med. & hi-rise land. As to lot size, is on moderate sizes. Need moderate size to go high. But needn't spread out horiz. the same as vert. — no need to have perfect cube. Efficiency of symmetry must be modified by need for edges, exposed surface.

One acre, or 200×200 , is enough for most hi rise, apt. & office. Ind. needs larger tracts — some indy. does, anyway. ~~But~~ Probly does not need central locn. then, bcs. is self-contained. So qualifies for cheaper land.

My point re equal intensity is better made w/o bringing in scale. Fixed bldg. cost, add land.

Begin inside one zone. Then get to zone line. If MRP land higher on one side, zone shd. be enlarged.

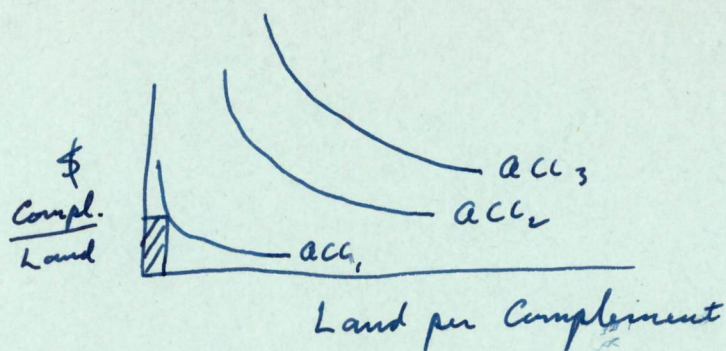
If can get more GR from same acc in one use than another, that use shd. expand.



$$acc = \frac{\text{compl}}{\text{Land}}$$

Abstracting from scale, there is only one possible acc curve? But any radius vector reps. same value?

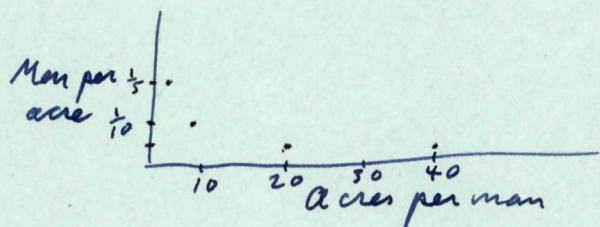
Now rep. scale on this chart by Δg value of complements, on ordinate. Then there is one opt. scale, which gives max. ANR.



For each acc_i , $CC = \text{compl. } acc \times \frac{\text{Land}}{\text{complement}} =$

Can we get diff. ACC curves w. diff. units of complements?

Say, men? No.

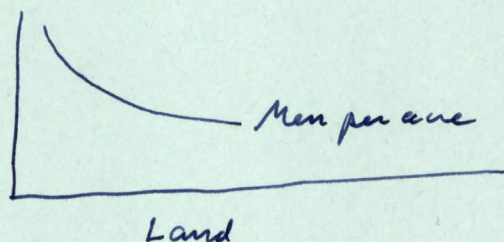


all areas ~~det~~ in rects. det'd. by pts. on curve = $1 = 10 \text{ a/m} \cdot \frac{1}{10} \frac{\text{m}}{\text{a}} = 1$

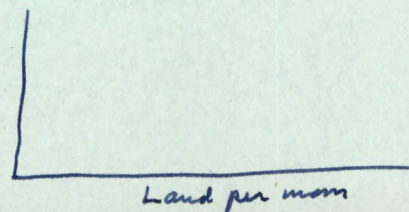
So that's it — only one ACC curve possible.

Now add one more assum., in draw'g curve — at each intensity assume that you find opt. scale for that intensity, & the corresponding AGR curve. After all, we assume all other adjustments are made optimally, why not scale?

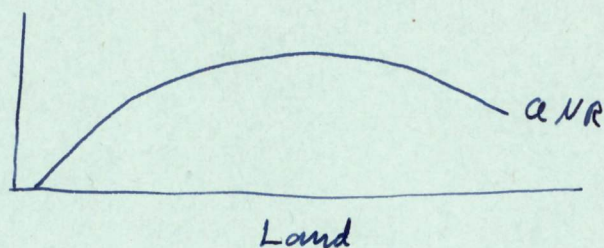
Another method, put scale on one axis, & ~~scale~~ propus. on the other:



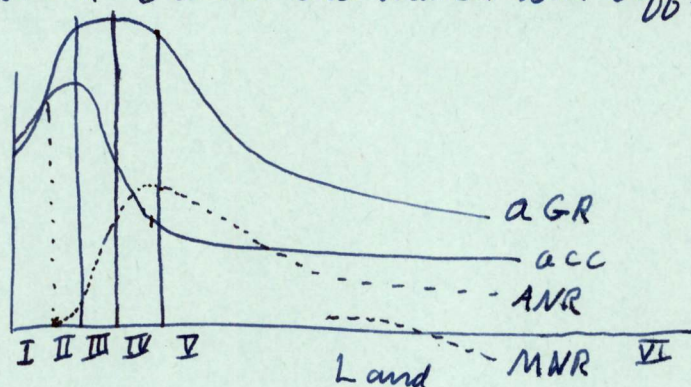
That is what I have already done, except I made scale the indep. vble. Try making propus. indep.:



The only essential is that ANR rise & fall.



How^{hi} AGR & ACC are makes less diff., same in detail



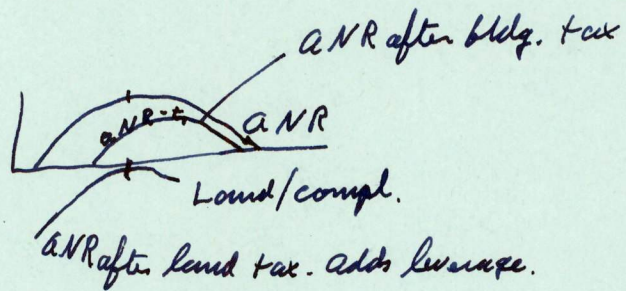
Divide it into stages.

- I. Neg. NR
- II. Δg ^{cost} _{opt.} intensity
- III. $-\Delta g$ cost intensity, Δg rev. intensity
- IV. $-\Delta g$ intensity, Δg ANR
- V. Neg. ~~ANR~~ MNR

They won't always come in quite that order, of course.

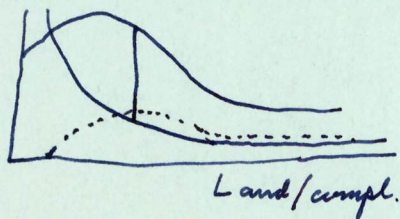
There is a possibility of discontinuities — e.g. with 50 acres maybe suddenly you qualify for GM plant. But those are unique cases, treat singly. And remember, re neighboring sites, they qualify for same general kind of uses.

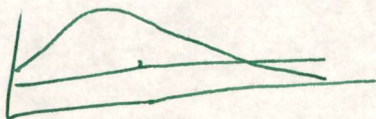
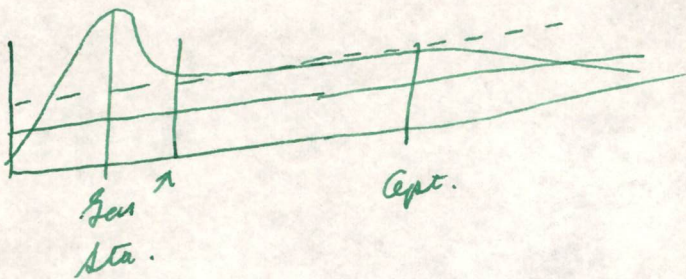
Bldg. tax is on cost, Co. not on revs. Max's risk. Adds leverage in wrong way. Reduces leverage push to opt. a intensity, by lowering l.v.

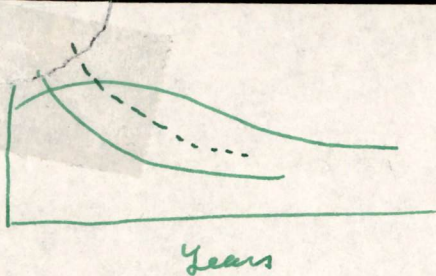


When one kind of improvement or use pays more to occupy a given site than another use, the tax system biases the mkt. in favor of the less taxed use.

Since a GR has a pt. of inflection, it will top out a NR there, - no. But a NR will inflect soon, & flatten





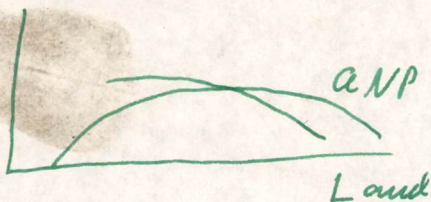
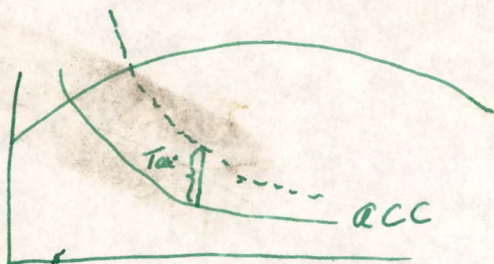
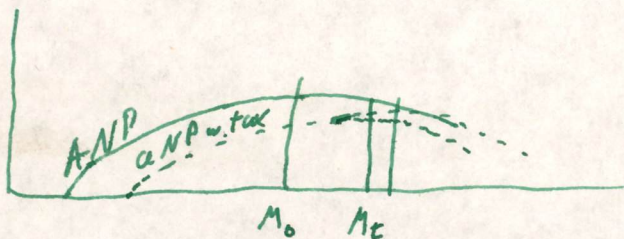


$$\text{Time-ave.} = \frac{i \sum [R_n (1+i)^{t-n}]}{(1+i)^t - 1}$$

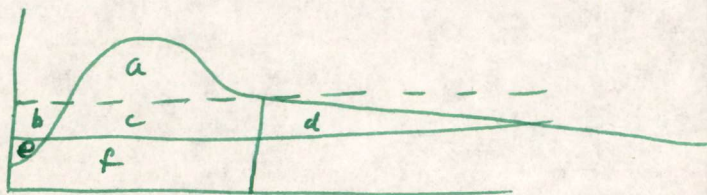
Costs include taxes.

add taxes, lower site value,
slow renewal.

Re^{"neutrality"} incentives, maybe dispute over
sharpening human incentives, but no
arg. re invest thing like land - put to
highest use.



But w. tax, old ACC is no longer applies,
is too hi



$$\text{Rent before tax} = a + c + d - e$$

$$\text{Tax take} = c + b$$

$$\text{Rent after tax} = a - b - e$$

$$\text{Loss of rent} = c + d + b$$

$$\text{Exc. burden} = d$$

[And if tax stops bldg. entirely, exc. burden also includes $a - b - e$, but they wd. then be = 0.]

Re "perpetual" bldgs.

Note in bldg, how fast
frame goes up. It requires little
labor. is small part of cost.
(e.g. shell houses) Get figures.

Most cost is in misc. things.
And they are the ones that
are always being replaced.

UCLA

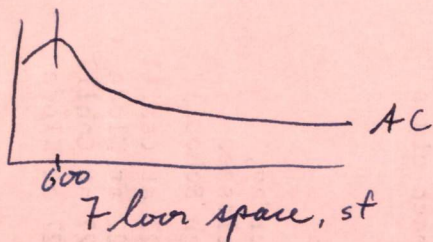
1. Excess burdens from bldg tax,
& other activity tax
2. No analogous burdens from
land tax, bcs it doesn't make
land more costly, in genl.

Diff. cap.

Net loss to L.V. from not
taxing land!

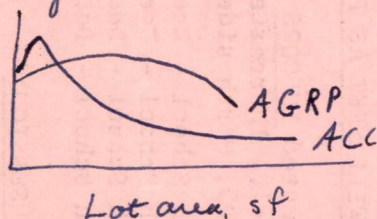
Save for M.M. problem.

Even that may be offset by
macro approach.



Merton's implicit model.
He takes no acct. of declining input value of 1 lb sf as unit gets larger - nor \$q land cost

Model designed to determine opt. lot size:



More complex than w. fung. ACC has rising stage, as larger lot allows more height.

Analysis of a house or apt. is less like anal. of one firm than of one unit of output. Bcs. there is a consumer preference peaking at a certain size, so further output is worth less per sf. That can be made analogous to the farm case, but takes a few explicit strokes.

Taxn. of decreasing cost indy - is Merton right? Or has he misapplied?

Manning's stuff on demand for land, plus Mgt. Resid, are previous. Merton's glib p. 60, & Ch. 3, same as targets.

BR 6-3320
Est. 694

1
Lead leaves
Good these boys
fully

DEPARTMENT OF RECREATION AND ADULT EDUCATION
WHITEFISH BAY SCHOOLS
1200 E. Fairmount Avenue Edgewood 2-6985 *F1 46354*

B E G I N N E R S' S K A T I N G L E S S O N S

Starting Instruction for Boys and Girls in the lower grades will be offered this winter. This will be in addition to the Figure Skating and Speed Skating programs for the more accomplished skater.

Classes will meet for a series of 8 lessons under the supervision and instruction of Mr. Richard Vanden Avond, Mr. Norbert Studelska and Mr. Neil Feiter. Boys and Girls in the 1st, 2nd, 3rd and 4th grades in Whitefish Bay are eligible to register for this program.

Ed 26919
Classes will meet from 4:00 to 5:00 P.M. on Monday, Tuesday, Wednesday or Thursday afternoons when school is in session. Please check days and times carefully on the holiday schedule below. In the event of poor ice or very bad weather conditions, the classes will be postponed and scheduled at a later date. Postponement, if any, will be announced. The registration fee for the series of 8 lessons will be \$2.50 and is subject to no-refund. The enrollment in each class will necessarily be limited.

DURING THE HOLIDAYS - - - CLASSES WILL MEET AS FOLLOWS:

The first session for each class will be conducted INDOORS on Saturday, December 21, in Study Hall 9 at the High School. Thereafter the classes will meet outdoors at the rinks. (Enter Door #5, North side of High School).

CLASS I 9:30 - 10:30 A.M. December 21 at High School - Dec. 26, 27 at Cahill
CLASS II 10:30- 11:30 A.M. December 21 at High School - Dec. 26, 27 at Klode
CLASS III 11:30-12:30 A.M. December 21 at High School - Dec. 26, 27 at Cahill
CLASS IV 2:30 - 3:30 P.M. December 21 at High School - Dec. 26, 27 at Klode

CLASS SCHEDULE (WHILE SCHOOL IS IN SESSION)

CLASS I Mondays at Cahill 4 - 5:00 P.M. January 6 - February 3
CLASS II Tuesdays at Klode 4 - 5:00 P.M. January 7 - February 4
CLASS III Wednesdays at Cahill 4-5:00 P.M. January 8 - February 5
CLASS IV Thursdays at Klode 4 - 5:00 P.M. January 2 - January 30

Summarize good ideas, ~~after~~ re differential capn., 6-64

1. "~~Rate of increase~~" "Increase of invnt", $\frac{R_m}{C_0}$, Recovering in year m , maturity, $\div C_0$. $\frac{R_m}{C_0} = 1.0 i^m$ or, better, $(1+i)^m$ — [latter form carries no presumption of $i < .10$]. Also $= e^{pm}$.

2. $\frac{R_m}{C_0}$ corresponds to an annual Δ , $i, = \left(\frac{R_m}{C_0}\right)^{\frac{1}{m}} - 1$

3. Where R_m is given, $P_0 = \frac{R_m}{(1+i)^m} = \frac{R_m}{e^{pm}}$

P_0 depends on p & m , inversely, and each magnifies effect of the other.

4. $\frac{i P_0}{j P_0}$, where R_m is common, $= \frac{(1+j)^m}{(1+i)^m} = \left(\frac{1+j}{1+i}\right)^m$

That also $= \left[1 + \frac{1+j - 1-i}{1+i}\right]^m = \left[1 + \frac{j-i}{1+i}\right]^m$

[Also, $\frac{e^{jm}}{e^{im}} \times \frac{e^{jm}}{e^{im}} = \frac{(e^m)^j}{(e^m)^i} = [e^m]^{j-i} = e^{m(j-i)}$]

5. $\frac{i P_0}{j P_0}$ changes w. futurity of R_m . Comparative advantage of

lower i increases.

Let $j < i$, always. j is the lo- i .

So $\frac{i P_0}{j P_0} < 1$, and gets smaller as m rises.

6. There are some concepts in ecs. based on relative %s.

a. cftv. advantage.

b. Elasticity

c. Logs

d. l.r., yield or capital, etc.

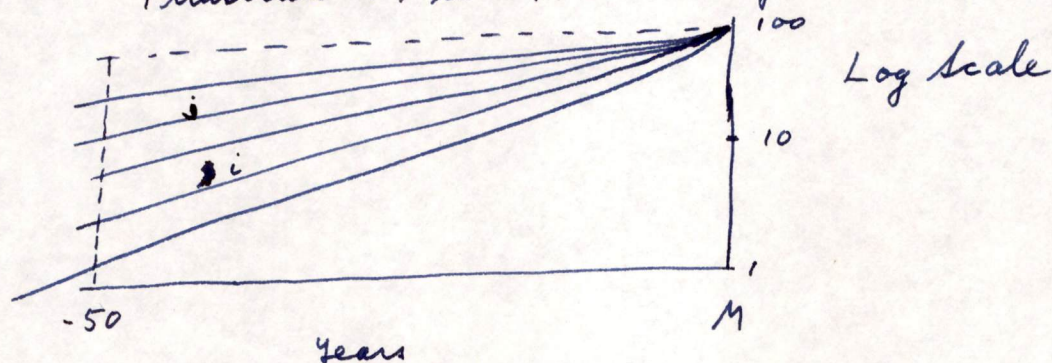
e. Factor propns, capt. $\div$ output ratios, turnover

f. Cap. recovery factor, $\frac{da}{di}$

I can use them to explain ~~any~~ any point.

a) Lo-i, or "j" - man, j, has absolute advantage in buying R_1 , but relative or cftv. adv. in R_{50} .

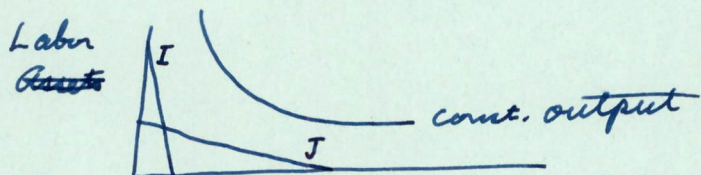
I illustrate w. table, and diagram below:



On the semi-log scale, --[on any log scale, whatever the other scale is], --- ~~any~~ a vertical distance at any level reps. the same % change. $\therefore$ where the curves are closer, the % differences are less. The further left you go, the greater the % diff., the greater the cftv. advantage of j over i.

j goes in for carrying ^{durables} capt. w/o other involvement. That is his cftv. advantage

He is long on ^{assets} ~~capt.~~ & short on labor, so he combines his labor w. lots of assets. His labor has hi o.c. in input. of assets, & leisure.



~~Labor~~ Assets, durable

Use of labor goes w. use of non-durable assets, fast-turning.

b.) Elasticity

i) Int. elast. of asset price

Δ w. durability

use same log scale fig. as on p. 9

$$\text{Elast.} = \frac{dP}{di} \times \frac{i}{P} \left[= \frac{d \ln P}{d \ln i} \right]$$

ii) Elast. of prodn.

$$\frac{\Delta \text{output}}{\Delta \text{input}} \times \frac{\text{input}}{\text{output}}$$

Related to $\frac{MP}{AP}$ (See Brunce notes.)

~~if~~ ϵ shd be < 1 in usual = na, $-\Delta g$ returns to all.

Except when Δ all inputs, $\epsilon = 1$

In eq., all ϵ shd. be =. ?

But ~~in~~ under imperfect mkt., they differ. Works that out sometime - good approach.

c) Logs

d) i.r.

e) Factor proportions

Indiv. v. lo i.r. gets small advantage in opn. where factor mix is labor-intensive. If is 95% labor then lower i won't do much either to: i) Lower selling price; ii) Bid more for inputs & complements. But if 95% is capt., lower i is of the essence.

Same argument often used to allege inelastic demand for farm products, e.g.

f.) Capt. recovery factor, $\frac{c}{C_0} = \frac{i}{1 - (1+i)^{-t}}$

Effect of i on c depends on t .

~~If $t=1$, $\frac{c}{C_0} = 1+i$, and $\frac{dc}{di} = \frac{C_0}{c} = \frac{1}{1+i}$~~

~~If $t=\infty$, $\frac{c}{C_0} = i$, and $\frac{dc}{di} = \frac{C_0}{c} = \frac{1}{i}$~~

If $t=1$, $c = C_0(1+i) = C_0 + C_0 i$

$$\Delta c = C_0 \cdot \Delta i$$

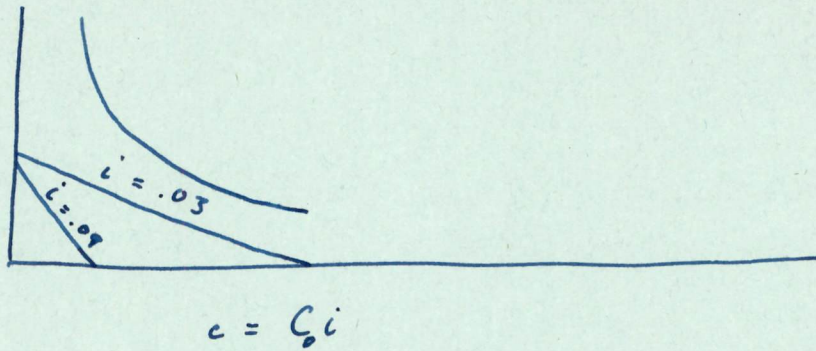
$$\frac{\Delta c}{c} = \frac{C_0 \cdot \Delta i}{C_0(1+i)} = \frac{\Delta i}{1+i}$$

If $t=\infty$, $c = C_0 i$

$$\Delta c = C_0 \cdot \Delta i$$

$$\frac{\Delta c}{c} = \frac{\Delta i}{i} \gg \frac{\Delta i}{1+i}, \text{ i.e., } c \text{ here is much more sensitive to } \Delta i. \text{ (This is a "sensitivity analysis.")}$$

$$c = C_0(1+i)$$



7. Insular i are equalized not just by market, but specializn. of investment. I escapes into future to avoid both lending & mgt. - involvement. Finds bargains in long wait, low turnover.

I also finds othr. advantage in hi-uncertainty; and in large scale.

He finds all 3 in land specn.

Lacking that, he would use his special position more usefully.

True, he buys land from others. But they are different kinds of specialists. So we have an abundance of capl. for short projects, a shortage for long, large, & risky ones - per.

8. I prefers durables bcs. they correspond w. his resource pattern. Thus he minimizes or avoids ownership xfr. & conflict. Low involvement as mgt. Hi leverage as mgt.

9. I may use more capl./land at t₀: but turn slower, so if you looked at an instant of staggered pattern, I wd. be less capl./land.

Lo-i goes into durables bus. that is his ftw. advantage —
 another familiar principle to invoke! He can bid 2% more
 for one thing, but 50% more for another.

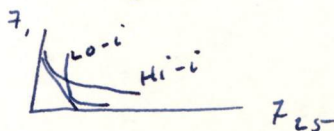
✓ Lo-i goes into durables bus. that is the factor proportion that
 corresponds to his ownership of resources. Thereby he minimizes
 ownership transfers. Durable prodn. is cap. & land-intensive.
 Low ~~low~~-involvement of owner as mgr. & worker is part of mix.
 Hi leverage of mgr. is another view of it

Lo-i will put durable bldgs. on land, more than hi-i.
 I must concede that. But lo-i will renew slower, than
 apply less labor; also in a sense less capt., but when hi-i renews
 he beefs up capt. again.

Budg. Constraint Line

? Line ~~at~~ cd. rep. what you cd. buy for amt you ~~are~~ wd. be
 willing to pay, at step. 1. i.e., \$100₂₅ wd. cost you
 30, you wd. be willing to pay 60, for which you cd. buy 200₂₅.
 That cd. be constructed ok, but has no meaning.

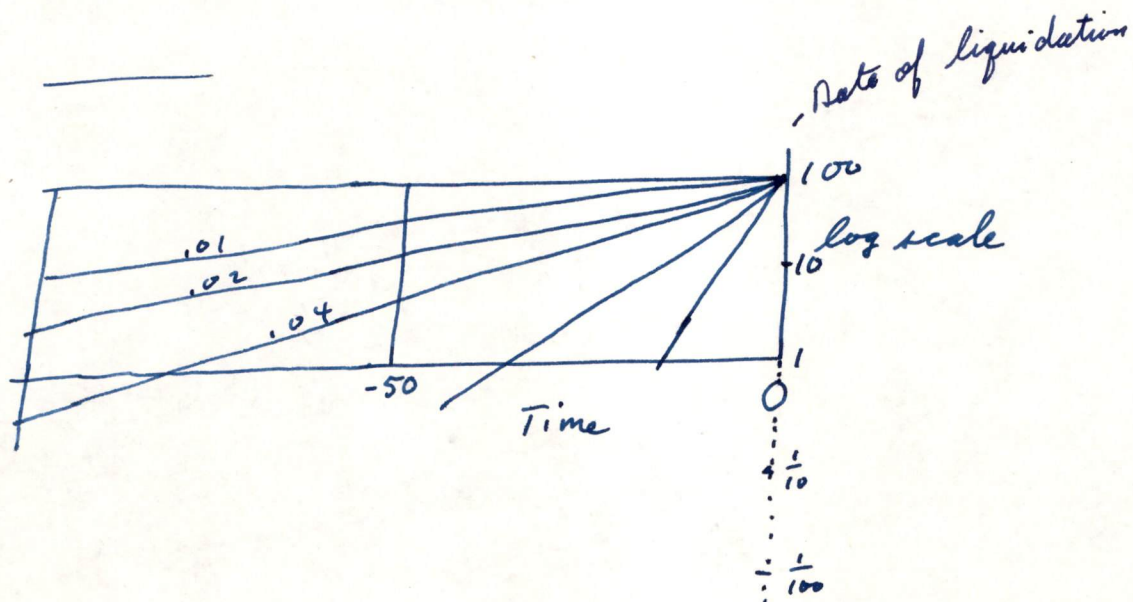
✓ Another approach - build the int. differentials into pref.
 curves. Δi changes λ of curves
 But then you have no analogy.



At .02 you can thus carry ^{100% more} ~~twice as much~~ C_0 or ∞C_0 ;
but only 2% more C_0 .

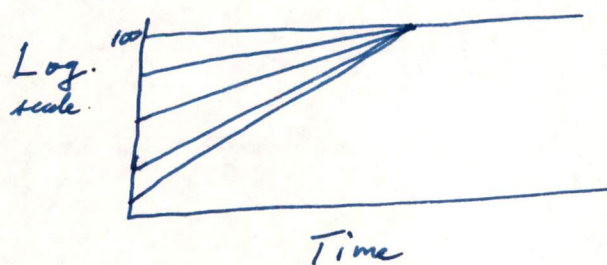
If we had to depend solely on lending to achieve a whet. i ,
might get hardly anywhere. Primary factor tending toward
= whet. rates is tendency of affluent to escape into futures.
[They also escape into ecr. of scale, where capt.-richness is
advantageous; & into hi-risk. of the non-involvement sort
esply.] Thus they avoid serious drop of rates. This is easier
than lending.

If they lacked the escape of land, they wd. have to go
into hi-risk, & large-scale, & lending, all better.



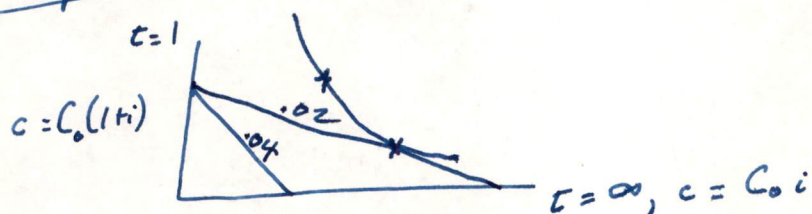
The lines rep'g $\frac{100}{(1+i)^n}$ get further & further apart, rep'g Δg % diff.
On this scale, absolute vertical distance rep's ratios

cf. 8% & 2%. At 8% you can hold c. 6% more T_1 , cf. to
 c. 400% more T_{25} , ~~where~~ for a given yld. interest payment.
 It's rather a given outlay of lump sum invt. at t_0 .



Step 1 doesn't work out well on budgetary constraint lines.
 alternative is to define const. output curves as const. valuation, and
 at higher i they wd. shift. But I seem to have lost
 simplicity, which was original motive for this approach.

Step 2



Budg. Constr. (BC) lines rep. amts. of assets C_0 purchasable w.
 cap. recovery factor, $c = C_0 \frac{i}{1 - (1+i)^{-t}}$

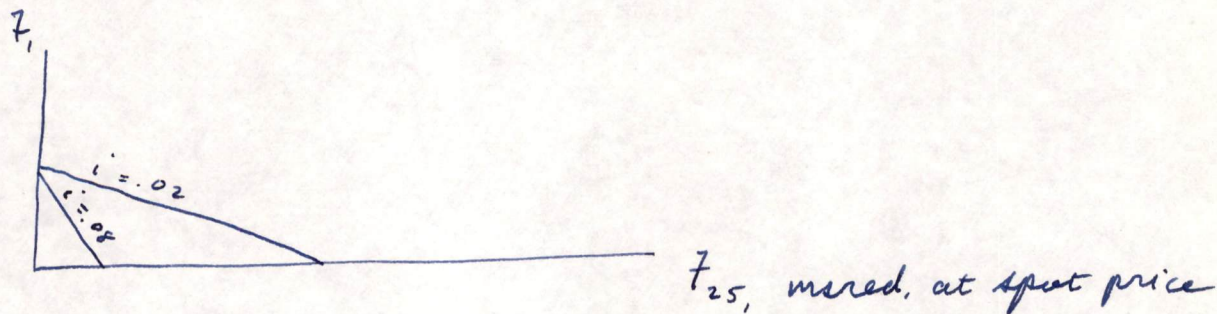
When $t=1$, $c = C_0(1+i)$

When $t=\infty$, $c = C_0 i$

Axes measure amt of C_0 purchasable for
 given c . $C_0 = \frac{c}{1+i}$
 $\times C_0 = \frac{c}{i}$

Step 1

For constant interest ^{outlay,} ~~payments,~~ at different i , lower i , can hold a little more T_1 and much more T_{25}



T_{25} might rep. ore reserves, e.g.

Const. "output" curve reps. diff. units of T_1 & T_{25} that have (in some sense) the same value, regardless of i . They have the same spot value to you in year n .

(Put this in words first. Say $T_1 \equiv$ (spot price of T ~~when~~ ^{at} $n=1$) = 100

~~It~~ Generally purchasable for 96. At interest $i = .02$, you could pay 98. You buy T_1 until its value to you at $n=1$ falls to 98 so you get 290.

T_{25} ~~spot~~ ^{in market} $= 100$ also. P_0 corresponding _{is} (say) 40. You can pay 80 (say). You add T_{25} until its value to you at $n=25$ falls to price at which you just get 290.

Also, your 290 tends to be raised this way.)

Meaning of price line needs care. It's not that you can buy more for a given lump of money, ~~but for a given ydly. int. payment~~

It is, rather, how much it is to your advantage to buy, at exogenous prices — thus at .02 you invest a larger lump sum.

What is const. as between the 2 price lines? You c.d. choose several alternatives. Interest payments is one; int. plus lump sum is another; or you could just anchor line at one end & change λ .

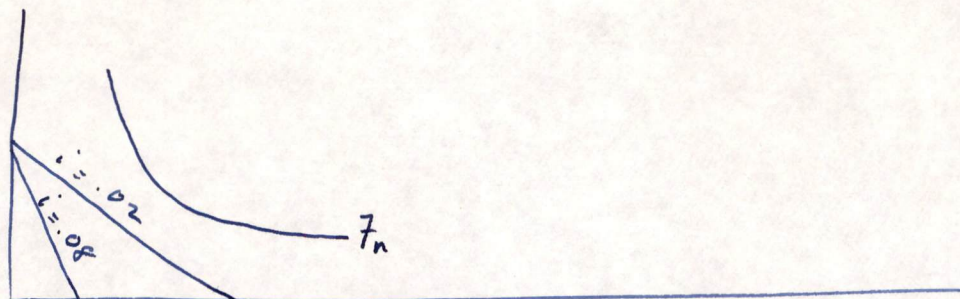
For best analogy to land case, use outlay of int. plus C_0 .
Annualize it as cap. recovery factor $\equiv c = C_0 \frac{i}{1 - (1+i)^{-t}}$

This is (roughly) what you pay for a year's use of the input.

But this changes initial idea — goes back to indiff. curve approach I tried w. my thesis, directly, (only better)
Can't be a cap. recovery in F_{25}

Another approach, which I might use to ease into cap. recovery case, is const. int. payments. Thus at 29% you can hold much more F_{25} than F_1 , relative to 89%. Good! This is step 1; cap. recovery is step 2.

Near
future
goods



Recreate future goods, mixed, at spot values

Price line shows quantity one can buy today, for a given sum of M , at

Bid for near-future goods is $F_n (1+i)^{-n}$ different i , on part of buyer.

" " far " " " " $F_{25n} (1+i)^{-25n}$

F_n is future spot value, for use or resale, whichever is higher.

It is hard to conceive of F_n & F_{25n} being in joint production w/o chrono. tie-in postulate. But can think of serial joint prodn.

E.g. in a forest it is best to have assets liquidating steadily; or a mine. Hence the const. output curve is convex to origin.

So the low- i allows fully strong to hold longer maturities.

Contrast the ratios of bids graphically:

$$\frac{a_1 F_{n1}}{F_{n1}} = \frac{B_{n2}}{F_{n2}} = 1.02$$

$$\text{Ratio of bids at } i \text{ \& } j \text{ is } \frac{F_{ni} (1+i)^{-n}}{F_{nj} (1+j)^{-n}} = \frac{F_{ni}}{F_{nj}} \left(\frac{1+i}{1+j} \right)^{-n}$$

$$= \frac{F_{ni}}{F_{nj}} \left(\frac{1+j}{1+i} \right)^n = \frac{F_{ni}}{F_{nj}} \left[1 + \frac{j-i}{1+i} \right]^n$$

$$\left[\frac{1+j}{1+i} \right] = 1 - \frac{1+i}{1+i} + \frac{1+j}{1+i} = 1 + \frac{j-i}{1+i}$$

So the ratio of bids is an exponential fn. of n .

On the whole, I see no gain in any of these proposed simple stage #1s. They are as hard as the thing they are supposed to lead up to.

We could have price line rep. objective price $\div$ your highest bid. Then at lower i , "price" falls - Nix. ~~Must~~ Must have scheme so when entire outlay goes for Z_1 , you get little more. Cap. recur. factor is the only way, if objective prices are fixed.

One can have objective prices change, & that shows something.



at .02, Z_{25} becomes much cheaper everyone moves into it.

This is simple. Tougher part is showing adv. advantage of differential rates.

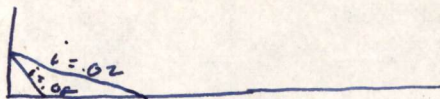
Let the const. outlay be a present lump, say 100. Then you'll be willing to pay that for less & less Z_{25} at lower i - thus you buy things worth less & less to you. $\left[\frac{R_{25}}{C_0} \right]$ is key ratio, $= 1.0 + .25$ It is the price of R_{25} in terms of C_0 .

X Let const. outlay be of int. from 0 to $\pm$, = maturity. No, that adds no simplicity.

Forget step 1.

$$\text{Price} = P_1 (1+i)^{-1}$$

End of
year
goods



End of 50-yr. goods

$$\text{Price} = P_{50} (1+i)^{-50}$$

Show principle first as
above, w. parallel treatment
of

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Director of Planning and
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Illinois

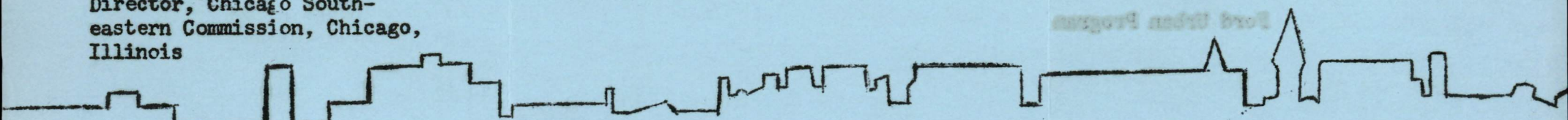
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CITY

DEVELOPMENT

a civic
leaders'
orientation
in the
problems
of
urban
renewal



CITY DEVELOPMENT

University of Wisconsin - Milwaukee
Room 130, Fine Arts Building, 3223 North Downer Avenue
Second and Fourth Mondays of the Month; 7:30 to 9:30 P.M.

PROGRAM

- March 23.....The Human Side of Civic Action.....Saul Alinsky
- April 13.....Social Objectives in City Development.....Joseph Mangiamale
- April 27.....Private Development and Public Redevelopment.....Kirk Petshek
- May 11.....Taxation as a Tool for Urban Development.....Mason Gaffney
- May 25.....Priorities for Capital Facilities and for
Redevelopment.....Kirk Petshek
- June 8.....The Implications of Urban Renewal.....Scott Greer
- June 22.....Objectives of Community Renewal Programs.....D. E. Mackelman
- July 6.....The Social Meaning of Urban Renewal.....Julian Levi

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CUDAHY, WISCONSIN

Assessors are important!

Can do as much as any
single group to create or
destroy prosperity.

'Income revolution' slows up

In the long run, more and more families have become richer and fewer remain in the bottom bracket. But there are counter-currents today that break the generality

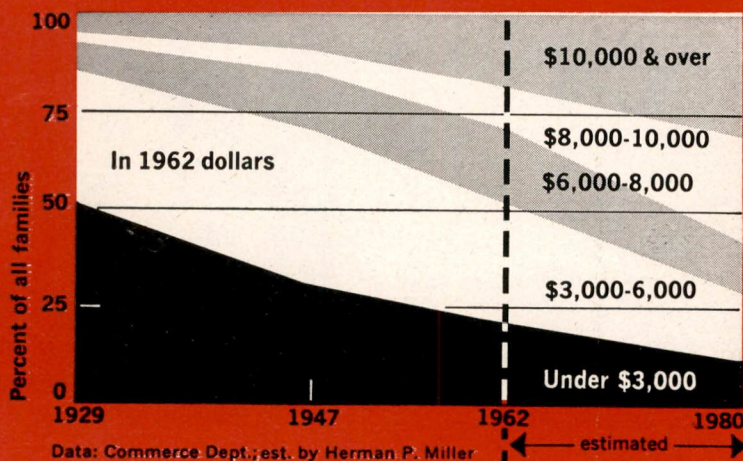
The rich in the U.S. have been getting richer, more numerous; the poor have been moving up in the scale, leaving fewer families in the bottom income bracket (chart below). Arthur F. Burns, former Pres. Eisenhower's economic adviser, has called the long-term trend toward equality in

income "one of the great revolutions in history."

Surprisingly, though, as the bottom chart shows, the "income revolution" has been marking time since World War II. In 20 years, the sharing of income among rich, middle-class, and poor has scarcely changed.

Indeed, Herman P. Miller, Census Bureau economist and specialist on trends in the distribution of income, foresees possibly more inequality, with relatively less income going to low-productivity workers who are being left behind by rapid technological advance.

In terms of real income, the poor are shrinking as a class



Poverty is relative, yet the statistical fact is that all U.S. income groups are better off today than a generation ago, in dollars of constant purchasing power. Families earning less than \$3,000 a year have shrunk from 51% of the total number in 1929 to 21% now.

In Rich Man, Poor Man, a book to be published by Thomas Y. Crowell Co. next January, Herman Miller estimates that by 1980, only 12% of U.S. families will receive less than \$3,000 a year.

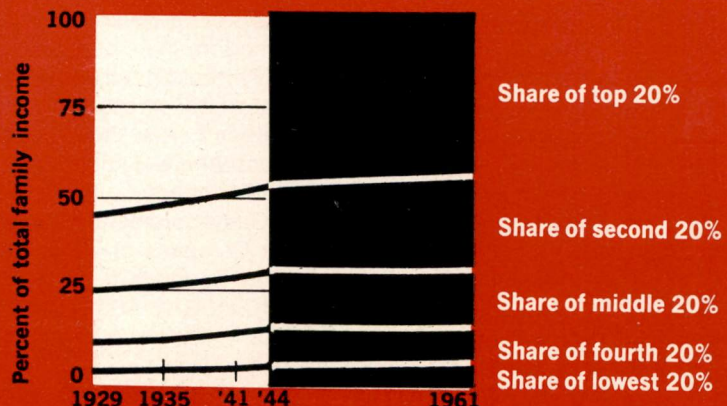
Even the definition of poverty is changed. For example, Harlan County, Ky., is officially designated as a depressed area, and only 75% of families have running water—but 67% have TV, 59% have cars, and 88% have washing machines.

Through the years of the New Deal and World War II, inequality in distribution of income was reduced most sharply. The share of the nation's income going to the top one-fifth of families (chart, right), for example, dipped from 54% in 1929 to 46% in 1944; today it is down a shade to 45%. Even more dramatically, the share of the top 5% of families dropped from 30% in 1929 to 21% in 1944, and a shade more to 20% today.

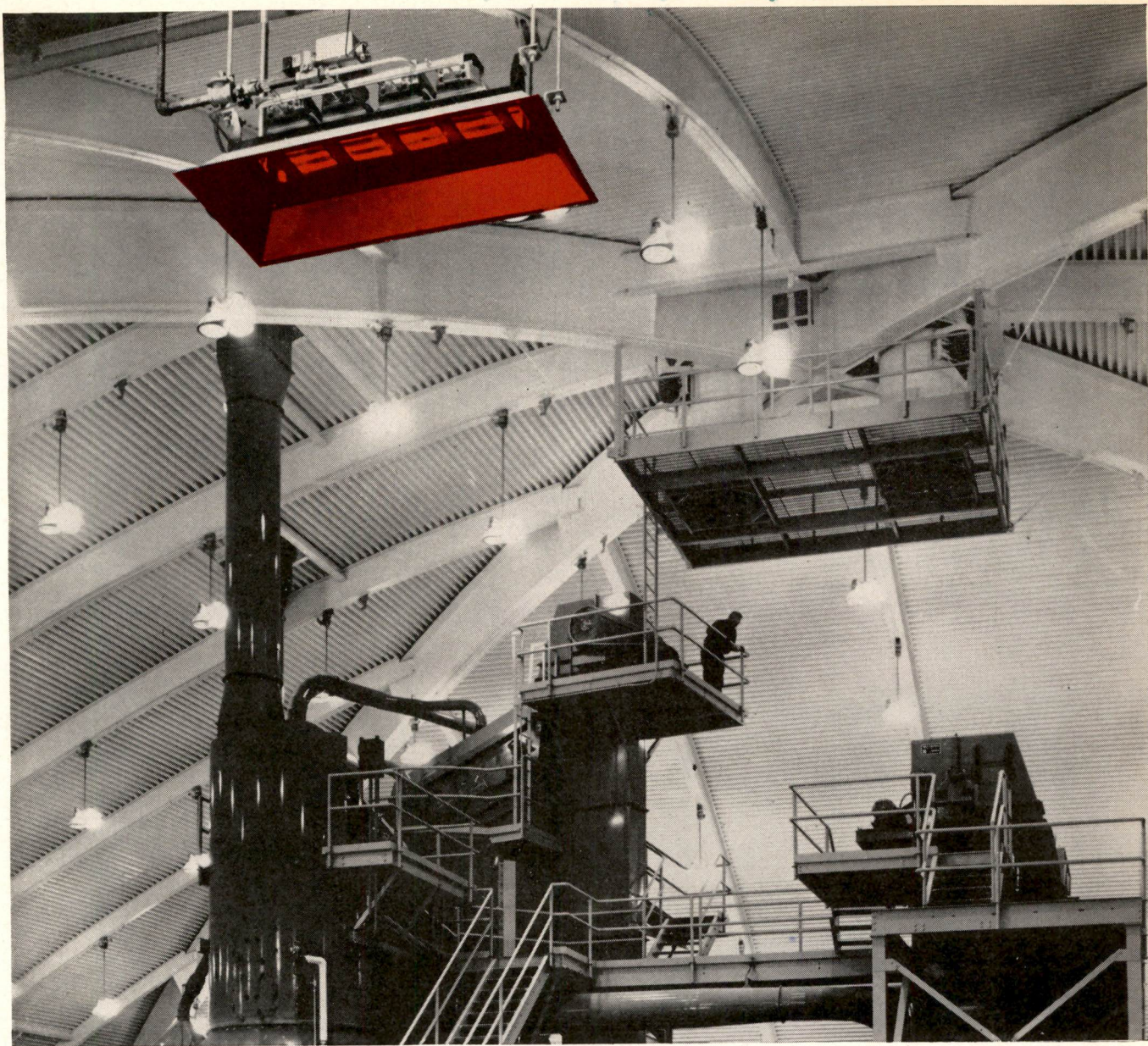
Relative gains have gone chiefly to middle groups. The share of the poorest fifth has remained little changed—4% in 1929, up to 5% in 1944 and still at that level.

These data are for pre-tax income, but Miller estimates that the net effect of all taxes on income distri-

Since World War II, however, the trend toward more equal sharing of income has halted



© Business Week



One of the nation's top ten plants stays on top with Perfection Schwank Gas Infra-Red Heaters!

One of the nation's most talked-of new plants, the Sloan Valve Company Foundry, Melrose Park, Illinois, is as modern in its heating system as it is in its domed-roof architectural design. The 37 Perfection Schwank Gas Infra-Red overhead Heaters maintained plant comfort last winter when outside temperatures fell below -10°F design condition to -20 degrees F! And they saved valuable floor space, set new standards in plant cleanliness (the superintendent describes it as the cleanest foundry he's ever seen), and topped it all off by saving money. But that's the usual story when Gas and Gas equipment are used. To be a part of that story yourself, call your local Gas Company or write Perfection Division, Hupp Corp., licensee of American Infra-Red Radiant Co., 1135 Ivanhoe Rd., Cleveland 10, Ohio.

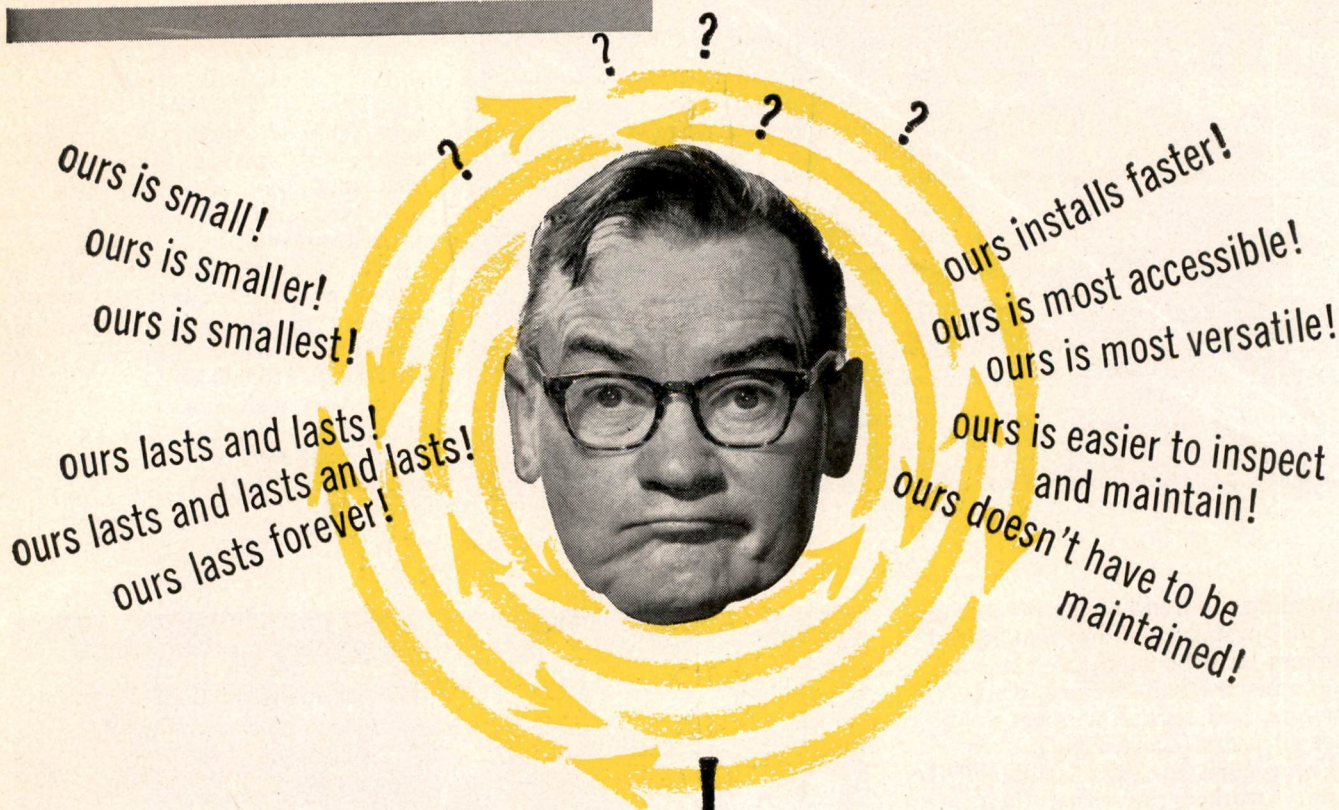
AMERICAN GAS ASSOCIATION, INC.

For industrial space heating



Gas is good business

a down-to-earth talk
about MOTOR STARTERS



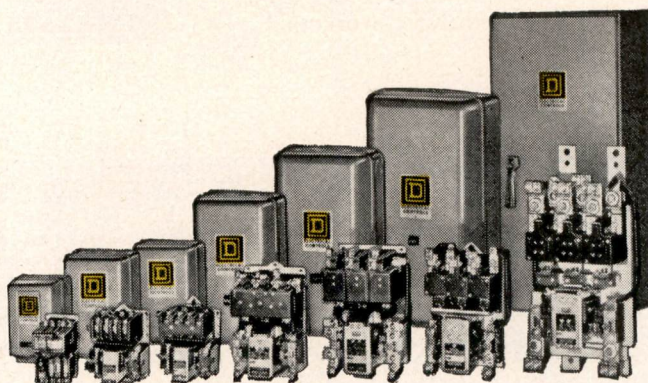
CONFUSING! ... isn't it?

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The rich are even richer than their income shows

Family income level	Median net worth*	Percent of net worth invested in ...					
		Stock	Other financial assets	Equity in business	Equity in own home	Life insurance surrender value	Other
\$ 7,500 to 10,000	\$ 19,000	17%	15%	11%	44%	8%	5%
10,000 to 15,000	38,000	19	16	21	28	6	9
15,000 to 25,000	56,000	18	15	31	21	6	9
25,000 to 40,000	179,000	27	14	32	13	4	11
40,000 and over	386,000	28	13	43	7	2	7

*Net Worth = Sum of value of assets less debts.

Data: Federal Reserve Board — special survey of 1200 families in 4 cities for 1960.

bution in the postwar years has been slight. The proposed Kennedy tax cut would produce a small relative gain at top and bottom of the ladder.

Income doesn't tell the whole story of how well off a family is. The chart at left shows what happens when net worth is figured, compared with income. When stocks, real estate, and other assets are considered, high-income families show up disproportionately richer.

For example, families with incomes in the \$25,000 to \$40,000 bracket typically had more than four times the net worth of families in the \$10,000 to \$15,000 class. Net worth of the very rich mounts still faster. In 1961, the richest 1% of U.S. adults held 28% of the nation's total personal wealth [BWL Jan.27'62,p30].

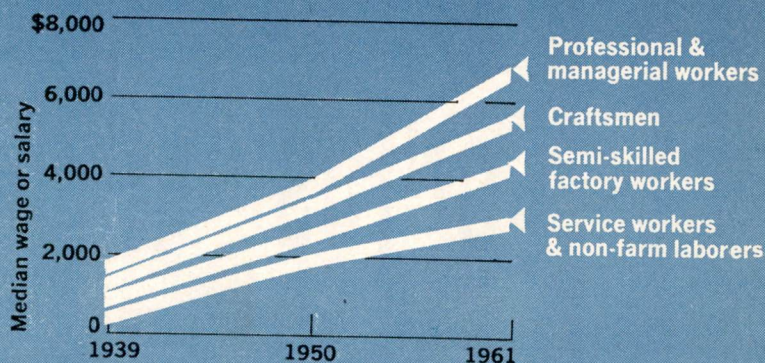
Reversing the trend of the preceding decade, professional and managerial workers have boosted their incomes much faster than factory workers, laborers, and service workers in the past 10 years (chart, right).

From 1939 to 1950, semi-skilled factory workers increased their incomes by 172%, service workers and laborers by 180%, while professional and managerial employees' incomes advanced by only 96%.

From 1950 to 1961, however, the incomes of professionals and managers advanced 75%, while those of factory workers rose 59%, and service workers and laborers only 48%.

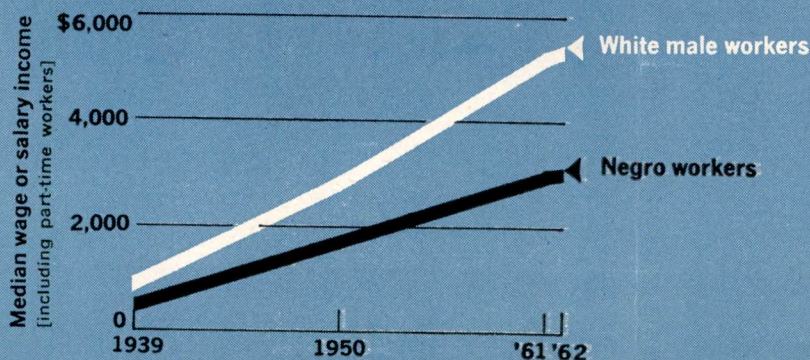
These shifts in the rates of gain suggest a relative oversupply of unskilled workers and an undersupply of trained and educated workers.

Professionals and skilled employees are increasing their lead over the uneducated and untrained



Data: Census Bureau

The gap between income of whites and Negroes is widening



Data: Census Bureau

© Business Week

While Negroes make up one-tenth of the U.S. population, they represent one-fifth of the families earning less than \$3,000. Many Negroes are low-skilled workers and Negro earnings as a whole—in relation to white earnings—have worsened during the last decade (chart, left). In 1939, the median male Negro worker earned 41% as much as his white counterpart. By 1950, the Negro earned 61% as much as the white. But by 1962, the Negro had slipped and his income was only 55% of median white income.

Negroes earn less than whites in the same occupational groups and with the same amount of schooling. For example, Negro foremen earn \$4,800, white foremen \$6,700. A semi-skilled Negro factory worker earns



His big thirst gives water planners insomnia

The public is gulping up 21.8 billion gallons of water each *day* . . . and that's only 8% of the water used daily for all purposes in the United States. So water resource planners trying to keep a step ahead must think in generations rather than years.

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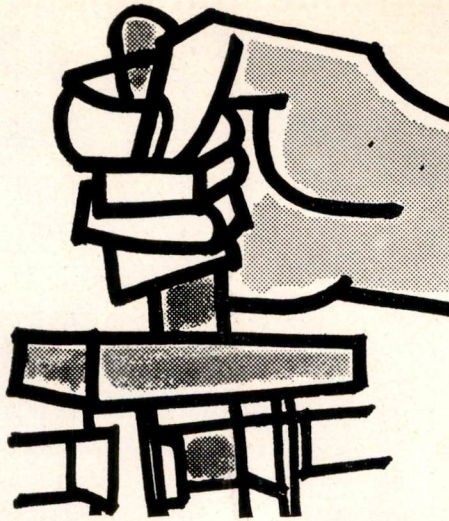
chemical oxygen demand) before sewage and other waste is returned to streams. Soda ash, ammonia and caustic soda from PPG Chemical Division also help the public health official and industrial hygienist in their work. And *Pittchlor*® calcium hypochlorite is both a stand-by emergency chlorinator and a sanitizer for controlling bacteria in swimming pool water.

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its own raw materials; adequate plant capacity; and an expert team of field sales, technical service, order processing and shipping. For a refreshing approach to your heavy chemical needs, call Pittsburgh Plate Glass Company, Chemical Division, One Gateway Center, Pittsburgh 22, Pennsylvania. In Canada: Standard Chemical Limited.

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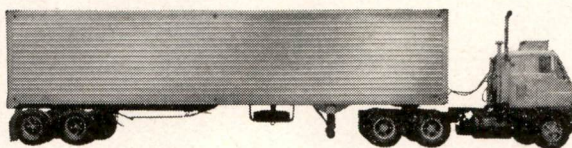
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LOS ANGELES 14.....722 S. Spring Street
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professionals do best

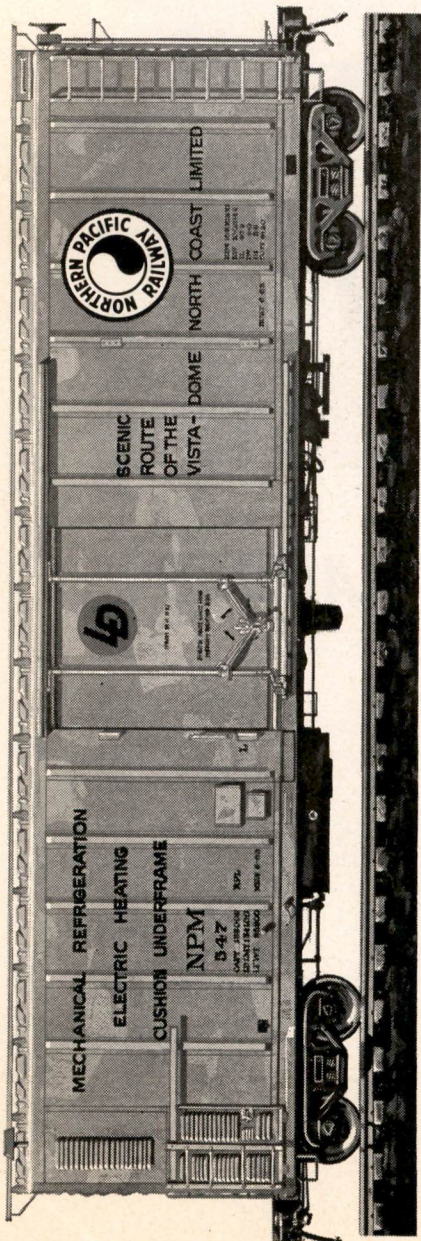
Occupation	Lifetime earnings [men age 18-64]
Doctors	\$717,000
Lawyers	621,000
Managers & proprietors [with college degrees]	593,000
Dentists	589,000
Natural scientists	
Geologists	446,000
Biologists	310,000
Social scientists	
Economists	413,000
Psychologists	335,000
Engineers	
Aeronautical	395,000
Civil	335,000
Teachers	
College	324,000
High school	261,000
Elementary	232,000
Accountants	313,000
Electricians	251,000
Airplane mechanics	248,000
Plumbers	236,000
Carpenters	185,000
Radio & TV mechanics	183,000
Clergymen	175,000

Data: Estimates by Herman P. Miller
from Census Bureau figures

72% of the lifetime earnings of a white factory worker with the same educational attainment. A Negro who has completed four years of college can expect to earn slightly less during his lifetime than a white who has completed only eight years of elementary school. The college-educated Negro can expect to earn a total of \$185,000; the eighth-grade educated white \$191,000.

The biggest lifetime income earners in any occupational group are doctors (table, above). Their probable earnings are \$717,000. Lawyers follow them, with managers and proprietors (including only those with college degrees) in third place.

Working wives have speeded the climb up the income ladder. In 1961, one out of six families had incomes of \$10,000 a year or more. If all wives had remained at home, only about



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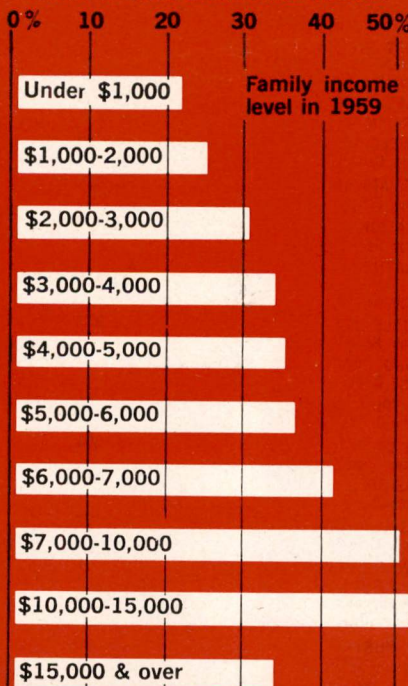
THIS IS THE WAY WE RUN

NORTHERN PACIFIC RAILWAY

TWIN CITIES • SPOKANE • TACOMA • PORTLAND • SEATTLE

More wives work as family income rises — up to the \$15,000 mark

Percent of wives that worked in 1959



Data: Census Bureau

© Business Week

one out of 12 families would have been in the over-\$10,000 class.

The higher the family income—up to the \$15,000 mark—the more likely it is that the wife is working (chart, above). Thereafter, U.S. families seem more willing to agree that the woman's place is in the home—or at the bridge club. In the \$7,000 to \$15,000 income brackets, more than half of all wives are working. Above \$15,000, the proportion slips to one-third.

Most wives do not work full-time or hold executive positions. About 70% are saleswomen, office helpers, semi-skilled factory or service workers.

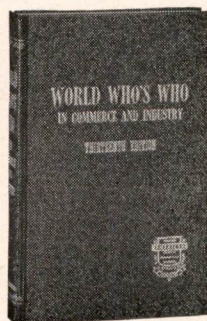
Miller's figures reveal the growing importance of training for advancement up the income ladder. In 1950, salaried managerial and professional employees made up 28% of the top 5% among income earners. By 1960, these managers and professionals constituted 48% of the top 5% class.

When the Census Bureau got its first electronic computer in 1951, it had to hire a young engineer to service it. His base salary nearly equaled that of the Director of the Census and—with overtime—he earned more than the Secretary of Commerce. **End**

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CITY OF MILWAUKEE DATA 1962

1a

Administrative Tax Book	Area per sq. ft. Adjusted (non-exempt)	Total Value	Land Value \$ per sq. ft.	Total Value	
				Total per sq. ft. Value per sq. ft. Unadj.	Adj.
— 1 <i>c BD</i>	16,071,544	114,825,380	6.00	\$5.35	\$7.14
2	104,271,177	251,239,642	0.75	1.57	2.41
3	34,994,643	124,394,068	2.00	2.00	3.55
4	24,302,181	62,966,121	1.60	1.93	2.59
5	18,487,571	54,989,755	1.60	2.08	2.97
6	34,908,752	87,910,339	1.60	1.84	2.52
7	25,639,218	58,898,663	1.50	1.85	2.30
— 8 } <i>new n ew</i>	32,077,030	61,956,271	1.70	1.52	1.93
9	23,690,788	131,303,089	1.80	4.53	5.54
— 10	16,514,678	117,626,252	5.00	5.70	7.12
11	33,883,628	90,837,702	2.75	2.16	2.68
12	31,992,915	76,758,832	1.25	1.56	2.40
13	38,987,388	135,905,970	2.00	2.59	3.43
— 14 } <i>Alas s.</i>	41,457,982	85,374,859	2.25	1.60	2.06
— 15	34,329,423	66,221,299	1.75	1.31	1.93
— 16	34,765,674	63,624,350	1.50	1.18	1.83
17	36,567,342	109,516,234	1.50	2.26	2.99
18	18,913,980	39,838,719	1.60	1.62	2.11
19	37,075,886	123,771,469	1.80	2.69	3.34
20	28,749,684	78,559,962	1.60	2.20	2.73
21	60,345,673	117,095,198	1.00	1.14	1.94
— 22 <i>Capital Rr.</i>	53,890,247	137,207,250	2.10	2.25	2.92
23	41,141,676	100,345,198	1.10	1.84	2.44
24	51,259,885	97,618,192	0.75	1.36	1.90
25	37,782,671	56,797,345	0.60	1.50	1.50
26	70,854,837	174,862,863	1.50	1.74	2.47
27	189,209,393	112,450,603	0.15	.34	.59
28	101,289,802	162,659,795	0.60	1.23	1.60
29	146,774,061	168,862,486	0.45	.79	1.15
30	90,722,928	83,607,928	0.25	.55	.92
— 31 - <i>NW</i>	220,115,695	10,115,725	0.15	.03	.05
32	3,491,803	2,496,139	0.25	.60	.71
33	377,982	352,768	0.25	.02	.93
— 34 - <i>NW</i>	95,299,636	17,320,716	0.25	.14	.18

THE SAN DIEGO UNION

a20 ① Wed., Mar. 25, 1964
SAN DIEGO, CALIFORNIA

Opposition Organizes On Single Tax

A nonprofit corporation called Californians Advancing Sound Taxation has opened statewide headquarters at 3721 Fourth Ave., it was announced yesterday.

The executive director is Emmett McCabe, a veteran San Diego public relations man. CAST was formed to combat arguments in favor of a single tax proposal for California.

Mike Fletcher of El Cajon, a CAST advisory board member, said the organization is unequivocally opposed to the single tax provisions proposed in Assembly Constitutional Amendment 20.

Since there are many rural areas w. public wt supply, most urban areas if compactly developed should find it e.c.l.

C O P Y

RONAN--WO 3-3867

U.S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
Public Health Service
Washington 25, D.C.

FOR RELEASE
Sunday, November 3, 1963

HEW-Y97

Dr. Luther L. Terry, Surgeon General of the Public Health Service, said today the Service is stepping up its attack on the health problems caused by the indiscriminate use and failures of septic tanks and private wells in suburban areas of the country.

These individual systems of water supply and waste disposal have caused problems in almost every urbanized area where they have been used, Dr. Terry pointed out, and said that his action follows resolutions adopted separately in recent weeks by the Advisory Commission on Intergovernmental Relations, and the Association of State and Territorial Health Officers, which met in Washington last week.

"The use of individual wells and septic tanks on the fringes of our cities," Dr. Terry said, "often endangers public health, rarely provides a permanent solution to the problem of obtaining water and disposing of wastes, and encourages urban sprawl. The only real answer for suburban areas is community systems of water supply and waste disposal, and the encouragement of this development is the long-range objective of the Service."

An important first step, the Surgeon General said, has been the writing of a model law for passage by State legislatures to regulate the problem. Such a model law has been completed and is being sent to all State health departments this week. At the same time personnel of the Service's regional offices are being instructed to make special efforts to give technical assistance and consultation to States and municipalities who wish help in this area.

The proposed legislation, Dr. Terry said, would require urban municipalities to prepare, adopt, and submit to State health departments for approval their comprehensive plans for water and sewerage facilities with particular reference to planning service to areas of proposed development in which such systems are not available.

The law would also provide authority for municipalities in the same urban area to cooperate with each other in meeting area-wide needs and to receive technical assistance from the State in preparing official plans for water supply and sewerage systems. An optional section is included for States to make grants to municipalities for preparing official plans and related studies.

Continuing support will be provided from the Public Health Service to States in the form of technical assistance and consultation, Dr. Terry said.

The Association of State Health Officers endorsed the principles of the model law in their resolution passed last week and emphasized that every State ought to have such a law.

The Advisory Commission on Intergovernmental Relations, which helped develop the model law, has expressed the belief that regulatory authorities ought to minimize and limit the use of wells and septic tanks in suburban areas except under unusual situations.

Although States generally have broad authority to regulate sanitary practices, Dr. Terry pointed out, no State has legislation at present specifically to establish policies to limit use of individual water supply and sewerage facilities in suburban areas. Dr. Terry emphasized that although individual household wells and septic tanks, when properly located and constructed, can give good service in rural areas, the only answer to the problem of water supply and waste disposal in urban fringes, is connection to, or provision for, suitable public water and sewerage systems.

"Adoption of the law, plus the provision of services, will assure that sudden menaces to health arising from the failure of individual systems, and conflict between different portions of community systems will be rare, and the unnecessary expense of replacing inadequate systems will be kept to a minimum," Dr. Terry said. "It will also help to assure the orderly development of urban areas, thus reducing wasteful urban sprawl, and go a long way toward meeting the water needs of urban areas," he said.

Dr. Terry also noted that prospective buyers of homes in urban areas need to consider this problem when looking at new homes with septic tanks and wells. Not only do they face potential health problems if their facilities later prove to be faulty, but also they accept the possibility of sizeable expenditures if and when a community water supply and sewerage system is installed.

The following reply was sent:

U. S. Department of
Health, Education, and Welfare
Public Health Service
Washington 25, D. C.

December 3, 1963

Attention: Dr. Luther L. Terry
Surgeon General
Re: News Release HEW-Y97
Dated November 3, 1963

Gentlemen:

As Executive Secretary of the National Water Well Association I must take vigorous exception to a number of statements appearing in the above identified news release.

The broad sweeping indictments of individual water supply wells in suburban areas are misleading and uncalled for. The statement that "...although individual household wells and septic tanks, when properly located and constructed, can give good service in rural areas, the only answer to the problem of water supply and waste disposal in urban fringes, is connection to, or provision for, suitable public water and sewerage systems." is but one example of overstatement and over-simplification of the problem.

✓ Throughout the United States there are many hundreds of thousands (and very possibly several million) private water supply wells providing safe and sanitary water supplies. The majority of these are in suburban rather than rural areas. To state or imply that these should be out-lawed or that a property owner should be denied the use of a good water well, properly constructed and located--"regulating authorities ought to minimize and limit the use of wells and septic tanks in suburban areas except under unusual situations"--shows an extraordinary blindness to the real problems of developing safe and sanitary water supplies for the people of the nation.

If properly located and properly constructed wells can give good service in rural areas they can give good service in suburban areas! The density of properly constructed and properly located wells in suburban areas is not the cause of public health problems!

The above quotation states flatly that only public systems will do the job--are we to believe that no private utilities are capable of providing proper water supplies in suburban areas?

The real problem is to insure proper well construction and location, in suburban areas as well as rural areas. The state health departments have been singularly reluctant to help state associations of drilling contractors in their efforts to legislate construction standards and regulations to enforce those standards. Outlawing all private wells, the good as well as the bad, may be one way to get rid of unsafe wells but it is an extremely unreasonable solution--and seems like "throwing the baby out with the bathwater."

"The use of individual wells and septic tanks on the fringes of our cities often endangers public health, rarely provides a permanent solution to the problem of obtaining water and disposing of wastes, and encourages urban sprawl." If ever a statement needed clarification and modification that one does!

To begin with, the use of properly constructed and located wells does not often endanger public health--only the use of poorly constructed and improperly located wells does that. The permanence of private, individual wells as sources of good water is a very relative matter but thousands upon thousands of good wells have been providing practical and useful solutions for many people for many years in many suburban as well as rural areas. And finally, the use of individual wells may make it possible to use land on the fringes of cities that would otherwise be untenable, but that valuable aspect of wells should not be criticized because it "encourages urban sprawl"--it also encourages urban development and proper land use around our cities.

The problems of water supply and the problems of waste disposal are not the same although they are linked and treated as though they were throughout the release.

If the U. S. Department of Public Health and the individual state health departments would cooperate in the development of proper standards of sanitary well construction and take the lead in securing legislation to enforce those standards they would be doing a far greater service than they would be to combine their energies to outlaw all private well water supplies. Most of the state associations of drilling contractors have sought such assistance for many years with notable lack of success.

A number of years ago NWWA was instrumental in developing a Conference on Sanitary Well Construction Standards that eventually resulted in the Guide Enabling Act and Sanitary Code for Non-Public Water Well Installations developed by the Conference of State Sanitary Engineers. NWWA has endorsed this effort of the State Sanitary Engineers and has been actively pushing for its adoption by state governments.

The many failures of public water utilities to supply water to the fringe areas and to new developments at great distances from their centrally located pumping plants have forced the development of private utilities and individual systems in many areas. Most of the so-called "water shortages" today are shortages of facilities rather than shortage of water. If suburban area development is to be held back until adequate public supplies and facilities are developed many people will suffer. To deny land owners the right to develop their own water supplies, even though they are developed properly with adequate safe guards against contamination and pollution, is an unwarranted assumption of authority by a state or a municipality at any time but particularly if adequate public facilities are not available.

A private individual water supply today can be so constructed and developed as to provide a better water supply than the usual public utility supply. It is perfectly

Dr. Luther L. Terry

-4-

December 3, 1963

possible to give better and more intensive treatment of the water from a private well than that given to the public supply. The blanket condemnation of private wells in the news release is unwarranted, misleading and deeply resented by the water well industry.

Sincerely yours,

NATIONAL WATER WELL ASSOCIATION
Robert R. Storm
Executive Secretary

RRS/cb

Gebert: "It took two years to invest \$7.5-million in property—and 250,000 miles of air travel."

Gardiner of REIT of America notes: "Our actions would indicate that we find prices generally higher than we are anxious or willing to pay." Two small trusts, Chicago Real Estate Trustees and Wabash Avenue Real Estate Trustees, haven't done any buying. According to Joseph Lund, who acts as trustee for both: "We are not sure it is a good time to buy yet. There are probably good buys around, but in general we think the office building and shopping center market is overbuilt."

Raising capital. Even without new sales of stock to the public, the trusts should be able to finance the properties they do want. They have kept their debt relatively low, and could get new money through refinancings or at the banks.

Real Estate Investment Trust of America, for one, plans to maintain a conservative debt ratio. It is now mortgaged to about 33% of the book value of its properties. "I would say that if we went to 50% of book value, we would still be within our conservative limit," says Gardiner. For the short term, Pennsylvania Real Estate Investment Trust and U.S. Realty each have \$4-million lines of credit with banks that they can draw down.

Some trusts continue to go to the public—especially when they have a captive sales force or a mutual fund tie-in. For example, B.C. Morton Realty Trust last fall put out shares worth \$750,000 in about six weeks through its mutual fund selling organization. Its aim was \$10-million, but it stopped selling when it bought its first property (requiring a change in the prospectus). Nationwide REIT, a small Syracuse trust, is planning to go back to the public with another sale through its own sales force.

Some trusts can also be expected to come up with a rights offering.

The outlook. Leader Durst Corp., now a real estate investment company, intends to shift to real estate trust—by merging with a trust with a mutual fund backing. But it is doubtful that many other syndicates will shift to trust form. Most syndicators rail at the restrictions placed on the trusts, and sophisticated investors still prefer to work with small partnerships that exclude the general public. Lawrence A. Wien, probably the best known syndicator, believes that the trust will take the place of syndicates in public real estate investing. But he adds: "I've no intention of forming one myself."

A score card of wealth

Assets as a percent of net worth

Annual income	Aver. net worth	Home & auto	Equity in bus. or profession	Liquid & invest. assets	Misc.
under \$3,000	\$ 8,875	43.9%	16.0%	38.9%	3.4%
3-5,000	10,914	36.2	17.4	42.7	7.1
5-7,500	15,112	37.1	13.6	35.9	16.4
7.5-10,000	21,243	39.4	12.1	35.3	16.5
10-15,000	30,389	35.8	17.0	36.9	12.3
15-25,000	74,329	22.9	12.2	53.7	11.9
25-50,000	267,996	13.1	24.7	41.7	22.2
50-100,000	789,582	6.2	31.9	49.1	13.4
over 100,000	1,554,152	5.8	18.6	68.1	8.3

Data: Federal Reserve Board

A new look at what people own

Fed's study of net worth may help economists pin down what constitutes poverty and how many are really poor

Amid talk of poverty, Americans are being offered a new look at their wealth (table).

Next week, the Federal Reserve Board begins publishing its first broad look in four years at the net worth of individuals.

Broadly, the assets that make up individual net worth can be broken down into four main groups: home and automobile, equity investment in a business or a profession, liquid and investment assets (including cash, savings, and securities), and a miscellaneous category that includes such items as insurance and retirement plans. Since the figures above have not been reduced by the amount of unsecured personal debt, they work out to slightly over 100% in each bracket.

Poor numbers game. Yet these figures are only a glimpse of what's to come. They provide economists with the raw data to draw a closer bead on poverty in America.

Current government estimates are that 9.3-million American families are truly impoverished—that is, they earn less than \$3,000 annually [BW Feb.1'64,p38]. The Fed study suggests the estimate is too low—and the definition of poverty too broad. It turned up 16½-million families that earned less than \$3,000 a year,

but it uncovered only 6-million families in that group who were totally without assets—poor by any yardstick.

Of the lowest income group, 62% own a home or an automobile, 56% have such liquid assets as a savings account or U.S. Savings Bonds, and 15% hold such investment assets as stocks and bonds. In short, the old definition of poverty glosses over those lower income families that do own income-generating assets. One obvious source of confusion is the fact that retired people may have relatively comfortable assets but very low incomes.

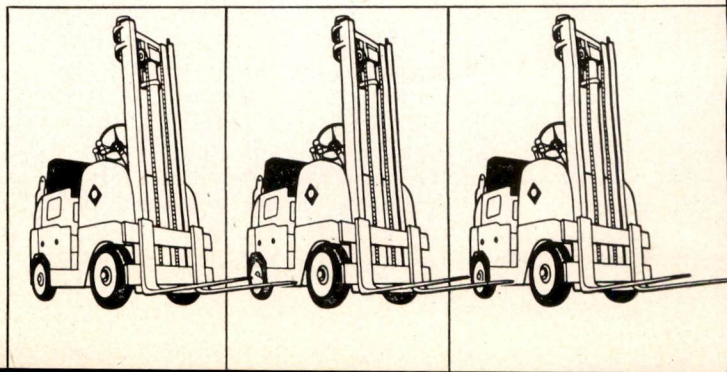
Little taste for bonds. The Fed study has meaning, too, for Wall Street. Of all American families, the study notes, 18% own stocks, 15% own investment real estate, only 2% own bonds (other than savings bonds). Not until income goes over \$25,000 does the investor develop a taste for bonds.

Up to the \$10,000 level, real estate and equities run a close race in investment. In the \$7,500 to \$10,000 bracket, 22% of the families hold real estate and 21% stocks. Then, real estate begins to lag. By the \$25,000 to \$50,000 bracket, there's a dramatic shift to 47% holding real estate against 78% holding stocks.



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Research findings (not ^{all} news to many of you, but to us)

8. 2 kinds of slum. Mixed use; & homog. 2 diff. problems, re l.v.
Mixed, floatg value. Southern core. Local obsolescence.
1 imaginary bldgs. on each site. Near n. side gritty, & l.v.
Homog. Low reuse value, depressed enviro.