

U.L.I. Plans, Outline

OUTLINE 7-27-64

URBAN SITE-CAPABILITY AS A TAX BASE

Introduction and credits

I. Milwaukee County as a proving-ground

A. Representative Trends and Problems

B. Idiosyncracies

C. Major land and tax problems

1. Underutilized capability of land

2. Spatial disintegration

a. Outer

b. Inner

c. General ^{importance} ~~importance~~ of intensive uses to command best central site

d. Public and social costs of urban disintegration

(1) Costs that increase with area

(a) Land treatment

Flood control; drainage; lighting; snow removal; forestry and elm blight control; removal of land itself from recreation, mining, agriculture, etc.; street maintenance, since streets comprise 20% of urban area; etc. *(faster runoff from new subdivisions because so much land is in streets)* filling and grading; weed, pest, & blight control;

(b) Idle land itself, its unrealized income

Method of arriving at aggregate value: partial cobweb diagram

(c) Urban circulation: high cost and low quality of transportation and utilities

i. Longer lines required by expansion of perimeter

Make file on each heading, w. its outline & write up. ~~Fixing buildings and heavy land~~ 11

Property taxes and land use: contrasting impacts of ~~alternative tax bases~~ ^{land v. bldg. as the tax base}

Title: Building taxes and land taxes: contrasting land-use impacts.

Subtitle: Impact of property taxes on land use.
Site - capacity on a type base: impacts on land use
Inferences from a case-study of Mke City.

✓ Intro. Plan of study. Exclusion - e.g. equity etc.
II. The 2 alternatives contrasted ^{L.H. sights. Imptns. of bldg. but in ec.} ^{Stagnant bldg., profound macro-ec. depressant.}
^{Δ renewal freq. of sites; convert base metal to gold.}
^{a study of effects - makes no recommendation.}

II A. Exist'g z.p.t.

Tax on bldgs & land together. But in practice has become more a tax on bldgs. Seem standard studies of asmt. discrim. - they neglect land.
(Exceptions: asmt. freeze, & sp. asmt.) ^{selective sensitivity - asmt. notes big physical changes, but cap. badly on qual. value changes - is just wrong.}
^{Depressed by past work in theory, as most construction over.}

III B. Svt. Define tax base unbound by past work in theory, as most construction over.
^{(Improvements on lots vs. inputs to lots) - for shift, bldgs vs. street-improvements.}
^{Separating land from bldgs. 1. Future use concept; 2. Declared intr. of demolition - hi-lv. results.}

C. Methods of contrast, in absence of experiment
^{Inputs - a lost art. Inputs over time, an art never developed.}

a common problem in much ec. anal.

a priori reasoning, proceed'g from ~~sales~~ relevant data

absence of norms. Describe changes wd. result from shift'g from gpt to svt. Reader supply own norms.

IV II. Impacts on land use of shift'g from gpt to svt. (Emphasize the process of change itself, not just the goal, but most of our lives are spent get'g to goals, & the journey is relevant.)

A. ^{General} ~~General analytical relations & principles or foundations of Ec. Anal.~~
^{Relative changes. Best opt. sites, biggest boost, etc.}
^{Just. change in the incentive pattern. - p. 8 & 7 of rex. outline.}

B. Specific effects on ^{intensity} of land use ^{Redistribution of burden: 1. before adjustment 2. after adj.}

1. Replacement freq. Capital-intensity of land use

- a. Pvt. capital on pvt. parcels
 - a. Replmt. freq. on Renewal freq. (Bldg. Tax, & hi-i, eze. on pvt. cap. but Est. how much faster by w/s from waste pub. cap. by want'g land)
 - b. Lot coverage, & bldg. height
 - c. Quality of bldgs. (subtopic: effect on trans.)
 - d. Summary of a, b, c: land-capital factor proportions
^{L.V. = soc goes up}
 - e. Soc - pvt. capl. propns.

B. Soc on framework capl. ^{Waste of land depts. waste of soc}
^{Begin by best land, ridin assets from core out. Avoid being leapfrogging.}
8. Balance of kinds of capl; levels of distr. hierarchy, (or dendritic rank) ^{priden thorough rather than lengthen line.}

subdivisions & assembly

8. (cont.) Balance of priv. & public - more priv. sector (also treated in III, C) 12

2. Human intensity of land-use

a. Human as consumer

i. Residents

ii. Customers

b. Human as factor input (labor)

i. Construction. Direct & indirect, huge. Recognized by Hubler &c., used delicately on balance wheel. S. Colon of NPA want to use ~~high~~ urban renewal as new income outlet.

c. Summary of a & b: land-labor factor proportions

3. ~~Man~~ Labor-capital propus. Absolute S of both - capl. inflow, followed by people. More priv. capl. available, but turning faster. a. Man as consumer. Less social capl. needed. b. Man as labor. More indy.

4. Man-labor-capl. - land propus.

[Factor propus. gen. of ex. devmt.]

5. Macro-econ. imptnce. Emplmt. opps. more vital than garden clubs - Gans. Use existg social overhead - imptnt. in a time of cap. shortage, & hi taxes - stimulate priv. sector, ease burden on public sector.

Effects on different classes of land use. [In order of 1st burden, but up to say's so]

Contrasts w-in classes as great as between them, so interpret judiciously.

3. Consumption use, residence & recreation

Lavish consumption use penalized

2. Tax exempt instl.

[If remain exempt, little change. But less likely to remain exempt. Their highly specialized bldgs, rarely articles of commerce, debt asset, but their land is easily accessible. Concept of whether taxable depends on use is quickly out of keep's w. whole spirit & rationale of sit., probly wd. lose ground.]

1a. Vacant

a. Acreage (to extent city stands ready to pay for street improvements.) But only if location is good.
b. Lots

C. Effects on homogeneity of intensity of land use.

Neighboring parcels driven toward equal intensity. S neighborhood specialism. Stop spread.

Effects on
different
parts of town.

- D. ^{Classes} Types of land use encouraged ~~to expand and/or~~ ^{relocate} ~~discouraged~~ ^{move to better sites}
- Surely, re effects on diff. classes of use, contrasts w. in class greater than between
1. Hi-rise
- a. Apts. ^{them. But a few qualms possible.} ^{Emphasize that 'expansion' doesn't mean expanding area subject to floating values, but probably contrary, b/c expansion accompanied by much consolidation.}
- Not extreme. Demand elastic only to a point. But many dwellers in lo-rise apts. all over suggest big mket. at lower price.
- Lower rents 30% (?)

Tax vertical, subsidize horiz., now. Subsidize bias.

Cause to i) Cluster near center, ii) Follow lake shore.

Not apts. on all area now affected. Floating value, apt. spread.

~~Abstract~~
Cluster in small area. Elsewhere, relieve pressure to intensify, let retain old character. No. of apts. wd. 1, just area affected by floating value wd. contrast.
External effects. Focus demand - revive downtown. Permit pub. xpt. Deflate periphery

b. Offices

Marion Pl. e.g.

c. Hotels. Braun proposal e.g.

d. Retail

Escalators. Revive Dept. store.

e. ~~Lower middle class residents. hi bldg value.~~
v.e.

2. Industry

Hi ratio, bldg-land. Enhance ability to compete for land.

Expansion of exist'g indy. [Range of possible defs. of l.v. resulting, aim hi.] Assembly problem aided

Applies to healthy indy. Is much sick indy., old bldgs., incl. slums.

They wd. go. Not to hwy.

Elast. of demand hi. Nationwide mket. Big expansion possible.

3. Storage, warehousing.

4. Utilities

Requires more complex legal action, in Wis.
~~Triple~~ ^{Triple} barreled gain. Less tax; decr. cost; compact propn. Much lower rates, bigger consn. Help attract indy; higher household use; replace coal, release land.

5. Multi-family hq., lo-rise
 Cluster plans

6. Instns. Public schools; hospitals

7. Crowded resids. of low. middle class. H: bldg ÷ l.v. Expand as such, bcs. bldgs. favored. Also expand by getting more land per bldg., bcs. of credit effect, then change character, become less crowded.

E. ~~Types of land use (or disuse) discouraged. within which dominant pattern is the effect redistribution. Net effect is unpredictable~~
 D. ~~Types of land use on which depends entirely on individ. cases~~
 1. Vacant. a, acreage. b, Lots

~~with 1. instl.~~

Even tho tax exempt, are affected by relative ease of acquisition.

But cannot assume same principles for exemption as now. Wd. call for review.

a) Value of exemption wd. Δ , re land. Wd. have to review standards of use. Instns. ed. expand, speculate, etc.

b) This method of subsidy gives way to others. Subsid. just to one input - land. Now, is subsid. to bldgs., not so broad.

c) Easier to tax, bcs. com value land, not bldgs.

d) Whole concept of sv+ is at odds w. concept of tax based on use or ownership

So, wd. be shrinking of tax exempt area.

How far, hard to say. As will postulate as part of shift here considered a complete abandonment of exemption, w. even state & fed. instn. pay'g lien taxes. Is as poor a form of subsidy imaginable, known explicit act'g. of which is being given, & unbalanced as to inputs. Replace w. conscious subsidies - require some thought, but also, know what we're doing, & control it.

Under that assn., probly a net disengagement. Sell surplus lands to intensify others, balance

2. Bl. Consumption inequality - ~~tempered by more than income~~. Implicit tax free inc., exp. gain, etc.
Now, extreme inequality - ~~tempered by more than income~~. Trend toward more equal consumption. Depends on zoning changes, tax.
Trend tempered by & hi rise apt. Inequality based more on cons. choice, narrower, less on buck. power.

3. Streets, highways, etc. Compel ec. anal. of productivity.

4. Parking. Svt has kn. both criticized & supported for covering over phys. lots. Both obsolete. ~~pkgs. now a use, many areas. But~~
5. Farming. Depends where it is. Mostly, draw in city, let fring. ~~continuous & even revive~~ in crowded areas, structures rather than lots.

6. Parks
F. H.

- 1. Non use
Acres
Lots

- 2. Obsolete & deprec. bldgs. - slums
 - a. Areas of mixed use
 - b. Homog. slums

- 3. Some v.r.s
Hi' tax, based on st. of way value - worth o.c., what xway commish. pays to get new v.o.w.

G. H. General pattern

Cannot generalize well among conventional classes into which land use is pigeonholed. Contrasts v-in classes greater than between them.

Defensible guidelines couched in terms of intensity, age

Much depends on how coordd. w. zoning.

Much depends on a number of details of adm. Each jurisd. will work those out as sees fit, some better, some worse, just as w. any policy. Premature in this genl rpt. to get into much of that.

effects of shifts on impacts on interactions among ^{interdependent} land uses of shifting from ext to int.

snowballing neighborhood effects
 ('external ex.' of the theoretical welfare est.) (& b-c anal.) (& input-output ... complex interdependencies)
 ↳ B-C anal. But huge numbers

Desirability of
svt depends on
need to ration use
of soc. But replace
soc property, also says
were excess
capacity.

Neighborhood
Specialism. A

B $\frac{1}{2}$. Effect on
comm. coopn.
Favor tats., despite
apt. scare &
stereotype. More
immigrants, but fewer
transients. Or, if
transients, grad.
students, colored,
inject'g outside
viewing, etc.

A. Effect on public costs

fect on public costs
This, larger view insisted on by all w. any experience & sophistication. ^{larger view guarantees no unanimity.} are contrary to
Gurly, reduce them. Broaden rather than lengthen. Margolis & Harin; Schmandt.
Time costs v. use-costs; local v. general. See p. 4-3, 4-5. Services to land &

B. Effect on other periods. (also part of g.c. anal.)
Focus demand, press. & replat. on current period. So do higher quality bldgs.
Surely, newer bldgs. have more positive spillovers, c.p. than preexisting.
'Conspicuous ostentation' can be useful, where takes form of superior rather than preexisting.
Exception, diffractioned value problem. Important to keep down scattered in potential
by satisfy demand in areas best suited. Use svr that way
a rational org. (svr) by replat. much more than by considering indiv. parcel alone.
Reduce uncertainty by forecasting, & by exploit. possibilities promptly.
Even replatting & replatting facilitated.
Starts quickly.

c. Effect on emplmt. base

1. More indy.

2. Faster replacement of bldgs., removal of sites - raises dollar cost. as well as Δ labor propn. *high. Turn slow. Keep capt. in motion - assume capt.*

3. Less capt. in soc. which turn slow. Keep capt. in motion - airmen's capt. released is used for locally most interested, but whole city bears welfare costs.

D. Effect on aggreg. & balanc.

Effect on aggr. & d. balance. ^{Focus demand} Paradox of value. Lower unit values, not bcs land worth less, r/o buyer, but more supply. Creates vacuum, labor & capl. immigrate, restore previous level. (to land-use planning)

Adequacy of the tax base. (Fiscal approach to land-use planning)
 Fiscal reduce tax base. opposite is true, excess

adequacy of the tax base. (Fiscal approach to burden of tax)
Some elementary misconceptions - reduce tax base. opposite is true, excess burden argument
Effects on factor prices are as seen in II, B. Get more from a site by
flat tax. e.g. \$300,000 apt. pay
on market 40,000 lots -

effects on govt. costs relative to tax base.

Parachute & gun.

Parochial & genl.
Genl., lowers govt. costs, promotes priv. sector. Economy of laund. in ex- of public capl.
vicious circle now in the, suphaise
Problem is, might it A costs

Local govt & the national interest

to become optimally? W. svt, get more capt.,
& that do too base
indirectly.

Is there adequate local incentive to behave optimally?

VII
IV $\frac{1}{2}$. Progressivity
of the tax base.
(over) VII

Stagnant bldg.,
macro-cc. depressant.

IV $\frac{1}{2}$ ^{Shifts in} Incidence of the tax. Notes whose opt. use ^{requires much capl. appree. But so does their asset,} ^{so in minimal inequity.} Presents use of gpt as welfare subsidy to disabled. Probably just as well. Assume not trained as social worker, & such welfare inequitable - helps the v.e. own disabled, not others.

Progressivity. 2 contrary statements common - one must be wrong. Numerous base is right. Property more comm. than inc. Land more comm. than v.e. Rank by value of v.e. to avoid regn. fallacy.

VI. ^{appendix} Some issues

Might include IV & V here.

List points as they arise - try to work them into major outline.

A. Relative impact of exempt's bldgs. & tax'd land. Shown by tax less dummies.

B. Retribution policies, changes.

No longer favors to indy. No need to tolerate air pollu., e.g., to hold indy.

Cities wd. become more generous in fring service extensions, since they cd. Tap L. Underd. lands wd. resist harder; developed lands resist less.

Δ resistance to immigration, & sharing of common (exply. schools.) Now, even in small house on small lot, immigrant pays plenty taxes. Then, on small lot, he escapes much taxes, uses commons. E.g. rent & thus shared, even tho t.r. not very hi.

But demand for all l.v., all can sell, & under svt all will.

C. Contrasting land uses in jurisdiction like & unlike ~~port~~ svt.

Depends on assessor's practice in past. But also on how much city bonds self to extend streets, who takes initiative, etc. Even if city pays, landowner has initiative

✓ Almost everywhere, Δ taxes wait on subdivn. Even inside Mee, unsubdivided Blatz place is not taxed on highest use, even w- in present zoning. It's not like an I.D. - they remain best e.g. of svt in practice, Δ tax comes bcs I.D. makes wtr available.

✓ Even in WB & Shurd? Or S. Mee? Check that. I know about my own house in WB.

One contrast is between acreage taxes & lot taxes. After city puts in strts, Δ tax on lots. Probly that is one thing cities learned from 29. ∴, few vacant lots. But no tax on acre potential. At least in Cudahy, lots taxed on pot. cap., acres not. So lots built on, but acres not subdivided.

Ask Paul.

D. Modifications or partial approaches.

1. 20 yr. freeze. Better than graded tax
2. Lot coverage surtax, for encroachment
3. Re plottage, if is assessed at low value, city shld. condemn at that value, reassemble. Give owners choice, in designated renewal areas:
 - a) Hi assmt., forcing pr. acq.; b) Low assmt., & pub. acq.

E. Flexibility

Svt gives new bldgs., indy., & people & ideas a big boost. Now, the new must overcome numerous penalties to compete w. the old.

Makes for an adaptable city, one can change to fit the times.

VII. Conclusions

Keep perspective — large v. small issues. Forest & trees, goat & camel.

Previous talks & sources on which to draw

1. Res. Clearing House talk

2. CMC talk

3. Wn. Conf.

4. Bus tour

5. Rdys. in LVT

1. Major task is to lift sights above:

a. Old constraints of instn. & custom. Emphasize war scare, but that didn't seem to catch hold.

b. Misplaced perfectionism. Quibbling over appraisal methods. My fault for overemphasizing that in outline.

Can emphasize capn. theory. Appraisers shd. appreciate that.

c. Small view. Get them thinking about, not labor employment (they suspect make-work) but about nat. product. ^{or Udy. business.} Emphasize nat product, rather than growth, bec. latter is mpy. of left. Don't go preaching Communism, but how to convert base metal into gold.

Upshot: cap. thy & nat. product. Appraisers have bn. underselling power of their specialty.

Economic recommendations, not political or legal. Lawyers are masters of their trade, etc.

2. Avoid platitudes. Emphasize inchworm approach.

a. Begin at present boundaries

b. Begin w. present plots, most areas.

But use 'circumstances alter cases' - they go for that one. In some areas, platitudes might work.

3. Emphasize circ. alter cases several times - quiet fear of universals.

a. Stable areas v. chaotic ones. In latter, distinction is clearer between best future use & present use

b. Congested public facilities vs. other areas.

4. Flexibility argument sits well. Rapid Turnover has impt. 2dry benefit in permitting rapid adaptation.

also, keep's anc. bldg. newer, sheds 2dry benefit.

One 2dry benefit is for'g out indigent, undesirable. That may be attacked as overlooking their needs, but shdn't be. Bcs. shacks, if that is what some really want, shdn't be in prime locations.

5. Emphasize differential impact, i.e. shift from present system.

a. Truism, re things as they are: underimproved sites,

b. Less true re things as they wd. be, mult. mult. Some sites, highest use still calls for less capl. than others. Emphasize versatility & homogeneity of sites, tho. E.g. a parking structure uses less capl. than an office bldg., but few sites are clearly better for one than the other. [Wd. lead to few p'g. lots downtown, probably an outer belt of

6. Emphasize speedup of renewal. Postulate as being desirable. then, & mass transit [therefrom]

Interpret higher intensity as manifesting itself more in early renewal at temporal mgn, than higher density, at spatial mgn.

7. Rationalize future use method of det'g l.v. a bit. O.c. idea. Capl. has none, is sunk; land near sunk

8. Def. Site value is what wd. remain after a fire. Determined by model bldg., select opt'l. use improvements.

9. Fine Ins. data. Invaluable! Ask Hogan, etc.

10. Emphasize workability of system does not depend on pinpoint acct. accuracy. Latter is desirable, but not essential. $\pm 10\%$ cd. be achieved, is workable.

Keep perspective. Law does not expect or require such accuracy, w. other taxes. Ins. Tax structure lets ^{real} rate vary by source of income, haphazard way, much more than 10%. Indeed, discrim. is built in

but along an arbitrary scale. no one cd. defend as expressing any
concept of equity more precise than $\pm 10\%$. Bldg. taxes,
we countenance wide variances, outside the law, e.g. for residences,
vacant.

So let's not suddenly become perfectionists when it is proposed to do
something constructive w. taxes.

Posthumous Schumpeter volume, no factor proper., Doran recommends.

Removable bldg. has negative value. Not the site, the bldg.

Boyd Barnard says no plotage asset.

Assessment as alternative to condemnation.

Must be coercion, let's have it at local level. - Ray.

Wis. State inc. tax return are open to inspection.

See Sporn. in LE, 2 yrs ago.

Olcott's is a 'guessing book'. Newton Farn.

Barnard alleges assessment lag downwards in central city assessments.

Woodruff - appraiser builds a hypothetical bldg., then determines best use.
Model - building
Land - doesn't dig app. cost.

Downtown, long lag of appraisals behind dropping values, since 1929.

Has that happened in Mke?

Chep. in Doran & Hinman

Redistributive problem worries some people. Not just kinetic, but potential.

Manvel is of onelette school.

Myers says he discriminator vs. land, improved land.

Incremental approach desirable - Manvel.

appraisal the big

Re objectivity.

2. find my position evolving.

a. Permit myself to entertain doubts; essence of objectivity.

I am on

record in several publications as suggesting ^{the policy of} site-capacity tax-n to accelerate urban renewal, and it would be less than candid now to represent myself as a Tabula rasa. I wd. hardly be interested in studying a policy I don't assume that I was ^{had no} merit.

selected for this assignment b.c. of the Inst's confidence that

I wd. ~~soon~~ ~~could~~ ~~explain~~ the potentialities of the

~~intend~~ limit myself to ^{present} an objective statement of my considered opinion

I have some confidence in my own objectivity &

Others will have to satisfy themselves as to that on the basis of my publications.

Here to receive criticism - bare ~~heart~~

You have outline. Defects

a. Unbalanced expansion, of orig. outline. Poor s.r. planning, not indicative of intent.

b. Orig. outline, product of riding 3 horses at once.

My horse

Keep eye on big issues: ^{integrate land use w. mainstream} full implant; viability of free ent.; reduce instability; nat. survival. I'm nervous.

Details are impnt. But keep them in their place, in perspective.

Beware garden club approach. They are impnt., but mustn't take precedence.

Heart of study are II, B; & III, A. They are related. "Land use" means

factor props. First task is basic intellectual apparatus to deal w.

gn. Wasn't in outline bcs. not satisfied w. what I have - details

need work. Still not satisfied. But round out outline by sketching

what I have.

What are factor prices?

a) Usually a 2-way breakdown, labor & capt. We're interested in ~~something~~ much wider console of options - & can express them easily enough.

3-way at least, ~~then~~ separate capt. into land & fund elements.

Separate fund into social & priv.; depreciat'g & depleting.

✓ Finally, give fund element a velocity, or turnover freq., as well as static quantum. Related to external costs & benefits; etc.

b) Apparatus - the i.g., theme & variations

Basically, $i.g. \stackrel{\text{of land}}{=} \frac{\text{Non-land inputs}}{\text{Output}}$ (Propr. of any input to output)
 --- or Σ inputs, which is higher when land underused.

(Is a symmetrical concept, can also be i.g. of labor or capt. & maybe capt. wd. be better since ~~it is resid.?~~ it is resid.?)
 Several variations, depending on what want to measure.

4. ~~Errors of~~ Errors of

First, how measure inputs & output? Time element is of essence.

✓ Cpty. w. durables like bldgs. Output is not value of ~~the~~ new bldg., but

much more, $\sum_0^T R_n$. Excess over bldg. cost is product of services of factors

land & capt.-fund: land-time & fund-time.

1 Illustrate w. tree.

Regard bldg. as a nest of ~~sub~~ ^{sub} bldgs. Details need work. But each bldg. is like a tree.

All services regarded as funded immedly., & recovered as a trust.
 i.e. compound int.

Factor props. depend on durability, largely. (Also on what % of C_0 is labor, & C_0 ; also on $C_0 \div S_0$.) ~~That may also be regarded as renewal freq. of sites, or related + hence to.~~
 Durability is related to renewal freq. of sites.

~~Factor costs are int., rent, & add'l. taxes on land bldgs.~~
If pd. long, spread initial labor over many yrs, mix w. much land-time

Second, define several variations on i.g.

Value-added or net i.g. $\equiv \frac{\text{Onsite work \& fund-time}}{\text{Onsite value-added onsite} = \text{Gross rev. less offsite funds}}$

Gross i.g. $\equiv \frac{\text{Onsite work + fund-time + offsite funds}}{\text{Gross rev.}}$

Social i.g., (net & gross)

add social costs to numerator, Δ i.g.

Step 2. How are factor props. det'd? By relative ~~price~~ factor costs, plus taxes & public policy. Time-costs are rent & i.r. (& taxes). Hi time costs mean hi labor-component. (over).
 3. Why are factor props. impt? existing

a. Key to full emphnt. Simple truth, neglected; Δ propn. of labor in products, by redu'g durability. Growth not ne'g; war not ne'g. Faster replacement the key.

Irrelevant to Urban Land? Not irrel. to anyone. Means of reintegrat'g land econ. w. mainstream. Imptnt. to raise sights, get perspective — nat. survival vs. garden clubs

b. Related to urban renewal. Blight of our cities are old bldgs, sites w. low renewal freq., housing services provided largely by land.

c. Related to resuscitat'g priv. sector. Blight leads to sprawl, leads to overloaded public sector.

d. Ultimate moral. Avoid freezing up capl. Inert wealth is of little value. Capital in motion is source of prosperity.

Avoid traps: Public invests that do not resolve
 Collapse of l.v. & i.r. are traps

Hi i.r. alone not so good. causes migration w/o renewal, & economy of prt. capl. is
offset by waste of public capl. Hi rent causes us to cze on public capl., by
frequent renewal. ~~As for~~ As to taxes, bldg. tax is like i.r.; land tax like
rent.

4. How do taxes affect factor prices?

Bldg. tax is like i.v.;

Land " " " rent.

5. How do factor prices affect govt. costs? When $\Delta i.g.$

a. Parochial

Δ 'use-costs', not time-costs, when $\Delta i.g.$

b. Aggreg.

No Δ use-costs

- Δ time-costs

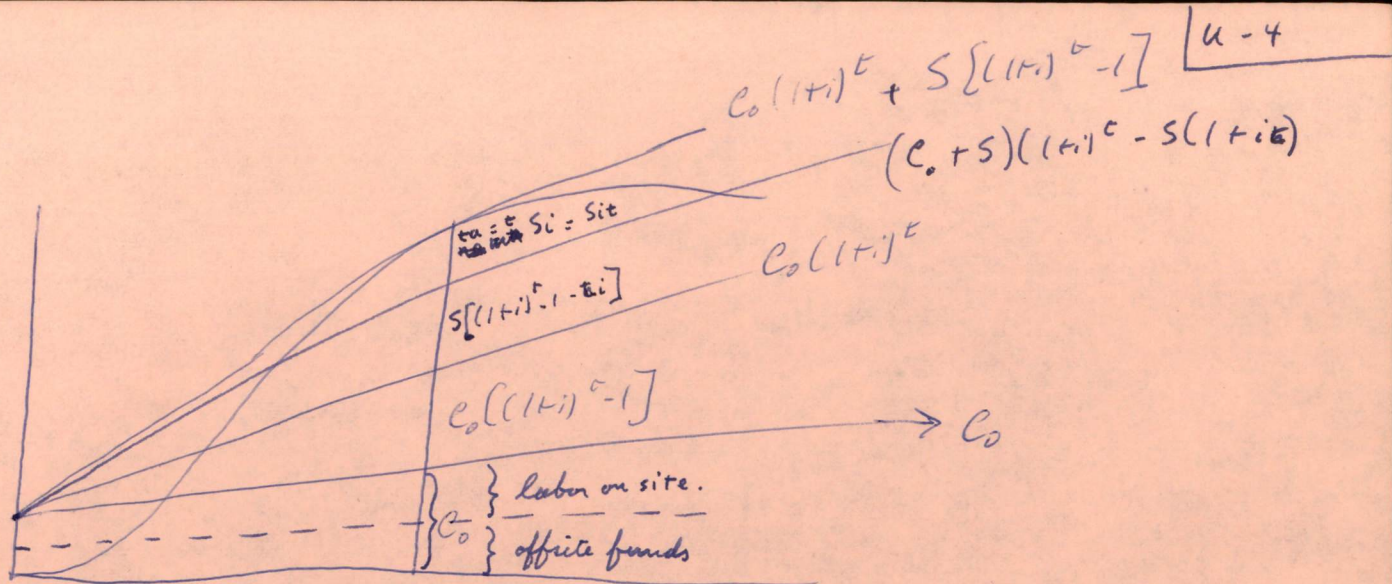
Δ constant, which is both cost & benefit. Scale eff. vs. congestion.

6. How do factor prices affect 2-dry benefits

a. Parochial

b. Aggreg.

7. Ultimate moral



~~If site contr. is na, why not n C_0 i?~~

Big areas for research

1. Facts re current adm. of gpt, & state rebates, etc. Several files

- a. Wis. state rebates etc.
- b. Assessment practice Mke City.
- c. Munic. absorption of demolition loss

2. Foster props. (III, A; and II, B, 1.)

Meaning of f.p. Imputation - a neglected art. Imputation can time.

1. g. concept, primary & 2dry.

a 3-way breakdown

✓ 3. Retribution reactions of localities. (III, B)

Do they overcompensate for social ~~overhead~~ perquisites of labor?

4. Impact on ^{local} emplmt. base (II, C, 3)

Housing can be supplied w. different mixes. Higher labor mix, higher local emplmt base. [But land & capt. incomes may be almost as local $\frac{2}{3}$. Key is that TR from sites rises.]

Congestion ~~not~~ of public & semi-public facilities not entirely bad. Merchants e.g. like to be congested, spread overhead.

Factor prices.

Buenger said house cost was 85% labor, once. Isn't, but that isn't point. Services of house > initial cost. Excess is return to inputs whose service is fr. of time: capl. & land. You will salvage the land, so that is an output to offset the input cost, so corpus of land, or some, is never an input — only the use over time. W. capital, it is both — but the corpus isn't a capl. input. Brodey.

1. Primary i.g. ^{or value-added or net} Physical corpus comes from offsite. Initial onsite input is all labor — all mtrls are imported, also all machines.
 - a. Major unresolved problem here is, imputation to land, horiz or vert.
 - b. Also, at what time ~~of~~ net out offsite inputs from output?
2. 2dry i.g., or gross i.g. c. Also, what is i.g.? Over what pd?

What factor are the offsite inputs, e.g. bricks.

✓ Typical mfd. good has hi labor component. Housing has hi land & capl. input. There is where rent & int. loom large in ec. life. But h are implicit, hence not in n.i. accts.

Points re factor propns.

1. Chrono. ^{whole-}unit vs. partial. Chrono. integer

Toward yr. of demolition, d , rev. is almost all rent.

Rent is const. over life; ^{so far as internal goes} am.-n & profit ~~are~~ decline

("Profit" undesirable word bcs. connotes a ratio, not an absolute quant.)

Try 'yield', gain, ...

Gain can be 'rated' (~~made~~ made into a rate) vertically or horizly. Vertically means
- unexhausted employed value of capt.; horizly means you regard all cash flow to
propy as a recovery of capt., both some share of C_0 , and also of later inputs of land
& capt. Requires much more ~~study~~ work. How allocate parts of C_0 , etc?

Above is only very re ~~part~~ subintegral breakdown, or imputation.

Integral propns. are unitary.

Notes from which outline was sent to Pickard,
2-9-63.

Some good mtrl. here was not reproduced, bcs. too long
or detailed for outline.

Needs Intro., explaining postulated policy goals.
Larger than layout, planning, orderliness, etc.

Underells importance of urban land. Bring into mainstream
of ec. thought --- & social concerns. Effect on
ec. growth; & labor employment. Cite Gans.

Not completely new departure. Grebler ~~is~~ on use of biz.
as countervailing balance wheel. Recent statement
by Gerhard Colm, ^{N.P.A.}, wanting to use urban renewal
as new invest. oppy. Amly. criticized, e.g. by Lashin,
on its slow.

Need to stimulate invest. ... in priv. sector. Is big value of
urban renewal. Use exist'g public overhead. Otherwise, growth
means growth more in public than priv. sector.

Also, achieve growth w/o disorder; & even, if neccy, full
emplmt. w/o growth. Many supposed antagonisms are
reconcilable.

Some elements of outline ~~see~~ will get ~~more~~ earlier attn., or priority, bcs. are more unique to study, call for more new thinking. Other parts can survive w. perfunctory treatment.

Not set up for data collection & processing. Use Mks. lab. only + thus:

Empirical

1. I, A, 1-2-3. GPT as adm. in Mks. Cty.

Add a considn. of Kennedy's proposed change in cap. gains

Besides quant. description, which can be digested from published sources, some primary intel. or assessment as related to land/bldg. ratios.

Method used by assessor for distinguishing; assmt. decreas. accelerated renewal in Wk. Bay.

I, B, 1. Separation ... how done here.

2. III, A.

Pop., l.v., ~~+~~ bldg. value, ~~+~~ inventory value, employment, in diff. jurisdictions, & ratios. Define factor props., & collect data relevant to defn.

B. Tax base per cap. in diff. jurisdictions; per school child

Street mileage per cap. - a good index to all mileages.

Other data derived from factor props. defs, net & gross

Govt. costs related to land, labor, capt.

C. Study to find bases of opposition to annexation.

Find an enclave w. very low gpt rate, e.g. W. Allis, see if bldg. is stimulated. Cfd. to hi rate.

Test Margolis' thesis of higher tax rates in larger centers. Only pin it down — why higher tax rates? Probly can get most of necc. clues before starting any correlation anal., set up study wisely.

I. A.

1. Local tax system in vacuum

Basic data - ^{the} ~~no~~ of jurisd.; ~~some~~ revs. & expenses; gpt. revs.

Tax base, de jure & de facto. Ass. discr.

Standard studies, cite & summarize

Discr. betw. land & c. prop'ty ... neglected in some standard studies. Primary evidence

Subsidy to attract tax base, (^{ec. base & other} ~~ex~~ external ecs.)

Whitefish Bay Plan

Marine Bank exemption

Zoning in the assessment process - an index to assessor's sensitivity to S.L.V.

Subdivision " " " "
 Plotting " " " "
 Search for jurisdictions whose practice is most like & most unlike
 proposed public value Tax. (If search is successful, contrast them.)

★ Attempt to explicate motives of local powers ... "final approach to land use planning; or munic. govern."

★ Harmony of local motives & wider public interest

2. System as modified

a. State force

Surly, play down aspects of primarity ^{parochial} ~~local~~ interest

Equidist.

Utility assmt. & rebate

Subventions

Inc. tax rebate. Effect on motive of L.j.s (local jurisdictions)

Utility rebates

School attendance rebates

State inc. Tax

★ Preliminary here. Bring to a head in IV, Summary & conclusion.

A, 2,

b. Fed. force: inc. tax, pers. & corp.

Deductibility of property tax

Cap. gain, many loopholes. Add 2 to '58 chap: a, Prospect of lower rates; b, Avoidance thru death; c, avoidance thru gift? e.g. to charity

Depreciation

Interest, deductible (banks love it)

c. Proposed changes in Fed. tax law

Lower cap. gain rate, bad; tighter requirements, forces more idleness

d. Modifications of impact of local gpt. by interaction

Land

Cap. gain applies esp. here, bcs. bldgs. deprec.

Int. deductible

Some deprec. spills over from bldgs.

Bldgs.

Deprec. Can be overstated, but mainly for old bldgs, so boost is more to land buy'g than to bldg.

Persnl

3. System under a spectrum of real rates

L. j.s. ~~ordered~~ ranked by real gpt. rates

B. Proposed Term "public value of land," L.P.V.L.

Choice of the term "public value".

Used by Marshall & Pigou

Obviates a common ^{debate} ~~misunderstanding~~ (or ~~red herring~~?) about human contribution to value. L.v. is not entirely a natural product; it is ^{both regarded as destined from public} that plus a public product; It is not the product of the atomistic indiv. landholder as such.

Makes possible clear distinction of L.v. from priv. improvements. L.v. conceded to be partly man-made. Is gn. of which man. L.v. is the potentiality for priv. expln. created by nature & p.v.

Distinguish land "desert" of lands by provision of distrib. networks (the inter-site sector, or ^{economic} connective tissue) from "improvement" of atomistic sites by priv. occupants

Problems of distinguishing public & priv. (see 4). E.g. if public took over for. of bldg. driveways. Wd. L.v. Makes a diff. if driveway is built contiguous on occupying, or built away. Former is partly anal. to schools ^{extra-legal}

Legal status

Signific. move toward priv. possible w-in platitudes conventionally allowed assessments.

Exemption of publ. prop. in many states, by simple statute. Classification of prop. Const. amendment in some states. W's?

Separating publ from bldgs (&c. improvements)

Difficulties seen by several authorities: Wenzlick; Ratchiff; Ely;

Wendt; Ag. Economists

Recommended method: best future use, or salvage value of site. ~~Bldg.~~

Value of ^{bldg.} ~~standing~~ ^{in cap.} ~~extant~~ improvements a resid. from the day ^{it's} sunk. Investor is the residual imputee, viewing it over time. Land holder can & ult. always will be withdrawn from the combo. ^{in good} has a future v.c. ^{only} ~~Capl.~~ Bldg. quickly withdrawn as junk ^{unimpaired}

This is true whether ^{one} uses mkt. appraisal (Wendt) or disct'd. future inc. (Babcock). Cd. even be made consistent w. replacement less deprecn., w. some modifications, but hardly worth the effort to go such a long way around

~~Extra difficulties in separating out improvements other than bldgs.~~

Residual approach to ~~the~~ bldg. value

Improvements other than bldgs. - extend same principles

Problem of ^{piecemeal} partial clearance & renewal, or remodeling

Problem of grandfather clause - privileged status of old bldgs to violate code, is it land, ~~renewal~~ of bldg., or other? Is the last

Acceleration of renewal increases amt of ^{invt.} info. on which to base appraisals.

2. alt. forms of pvt base: ^{not capacity basis v. use basis; yly. basis v. capd. basis; cap. gain basis} ~~yly., income, potential, cap. gain~~

Use or ^{gross or net,} inc. base, is contrary to ^{essential rationale} basic idea of pvt. Fiscal neutrality - a non-contingent tax, is ^{essence} ~~virtue~~ of pvt. a tax on capacity, not on use of capacity, ^{Land chosen as a base bld. is only 1/2 (comm.)} ~~Neutrality derives from mode of levy, not the particular base.~~ ^{seeking a non-existent norm.}

"Neutrality" is misleading term. A will-o-the-wisp, By being ~~non~~ non-contingent, pvt is more than neutral. It applies leverage, like any fixed charge.

Basic issue is $\therefore$ between fiscal leverage & fiscal profit-sharing

Welfare econs. have given specification for ideal tax: Mode of levy is as important as base. (Indeed, they have concentrated exclusively on mode of levy, & often failed to find any base.) Tax latent talents, ^{faculty,} or capacity, by appraisal. Tax ^{then} an inexorable fn. of time, regardless of use of talents. Corresponds exactly to highest & best use.

Yly. basis v. capd. basis is separate issue, which overlaps capax. vs. use issue. Both capax. & use appraisals cd. be either yly or capd.

Yly, capd. basis better, bcs. use plans extend over many yrs, & whole cycle must be considered in any event, to get true ^{annualized} yly. value of irregular stream of net incomes.

Problem of higher future use - with current tax too hi? A specimen argument for yly. basis. But capd. basis reflects waiting pd. Is based on opt. series of future improvements beginning from present.

So impnt. a pt. refer to system as land-capacity tax, l.-c.t., interchangeably w. pvt.

object that lends self to such fiscal treatment. Capacity is appraisable, w. tolerable objectivity.

Those who speak ^{vaguely} of "tax'g ec. rent" are omitting essential info.. how is tax to be levied? "Rent" can be destroyed by contingent levies.

4. Tax base re enhancement by pvt. owner

Many public-type frs. are performed pvtly. ^{esply. in transitional stage} such as ^{plotting} planning streets, fire utility extension. Developer's invmt. required by L.v.

As long as pvt. collects no more than current ~~per~~ present gpt, ~~needn't change~~ L.v. still hi, incentive not destroyed. ^{any more than now.} Except to extent that incentive is to ~~add~~ L.v. for specs, w/o antis. of immediate use. But that is not a socially useful incentive anyway.

But present ^{pvt.} incentive inadequate, bcs. antis. Tax n. of new bldgs. lowers L.v. also so public shd. extend utilities, etc (or a public ^{subsidized &} reqd. utility) — motivated by Δ taxes + sales rates.

→ Current practice, lots ^{often assessed} ~~started~~ at higher ^{aut.} ratios than acreage. L.-c.t. shdn't be so. Fair accomplish ^{shd.} same tax as fair practicable, fairable. Unless there is a public contribution, and then only by that amount (value, ~~not~~ cost).

Current practice merges pvt. & public contribution. Study will develop means to separate.

Goal: visualize larger role for public, & less for pvt. land developer. But that is incidental. Main & essential diffs. as fb.

- Before subdiv. & land devmt, asmt. rises ⁱⁿ latent capacity.
- Dedicat'g land for streets, or other pvt. devmt of lots, does not Δ asmt. of whole acreage, altho of ft.² is Δ . E.g. if 10 acres yield 30 ^{uniform} lots, each pays $\frac{1}{30}$ of what 10 acres paid, $\frac{1}{3}$ of one acre.
- Actual public devmt. raises lot asmt. invnd. by at least cost.
- In all but irreg. cases, lot prices rise by more than public costs. Who gets that pie is beyond scope this study.

Difficult problem where landholder so large, he collects 2dry benefits he creates. Was difficult, but concept of fair fairable makes easier. Where that is possible, large integrated devmt. is basis of asmt. Note, however, that does not needly force all land to large developers. By stimulat'g all the small owners over ~~any~~ hot area, they develop individually, yet coordinated.

5. Other problems defining tax base.

- a. Ave. & marginal rent & l.v.
Subrents v. unit rents
- b. Underground improvements etc
- c. Truly permanent improvements
- d. ~~Subrents v. unit rents~~
- d. Replacement policy; ~~apply~~ ^{right} in supersession (Ely's case)
Capn. of ~~very~~ periodic stream of cost & revs.
- e. Uncertainty, ignorance.
Mutual interdependency in devmt.
- f. Tax capn., as modified by reallocation
- g. Zoning & tax base. Zoning shd. be recognized as major element in l.v. & tax adjusted accordingly, & immediately
- h. ~~possible~~ ^{modification} of simple base to recognize spillovers.

~~Some~~ ^{Some} urban uses have pronounced spillover effects, + or -.
Zoning is a crude instrument for harnessing them optimally. Adjusting
Tax base might be better; or they might ~~the~~ work together.
Some adjustments might resemble superficially bldg. taxes, but wd. differ significantly.

Tax on lot coverage, e.g. Not on actual coverage, bcs. neighbor can't rely on that; but on permissible coverage, regarded as part of l.v.

Where coverage is hi., & bldgs multi-story, cubic coverage or occupancy becomes relevant.

Where integrated planning of coverage is needed, solid zones undesirable, planned air corridors needed. Grid or corridor zoning — w. winners compensating losers by taxes.

~~Never on~~ ^{of floor space; & of land}
Tax on crowd'g? Indirect way to tax cars & schoolchildren. If that is intent, do it directly.

Never tax quality, as adval. gpt base does; nor newness.

II. Contrasting impacts

A. a priori

^{shift to let}
¹ Changes costs of holding land, to indiv.; and costs of improv'g land.

1. Costs of holding land.

a. subs. explicit for implicit change. Highly abstract theorist might claim no effect, but there is.

as Applies leverage to owner. (Fiscal justice.) Better than neutral tax.

b. subs. ^{in sum} tax change for interest change. Former is in sum; latter is very much in personam, depends on credit reg. Causes some reallocation (of land) (negatively)

b. as Δ s total yrlly land cost. Bcs., altho land tax is capd, & so just subs. for int., simul. removal of bldg. tax is also capd, positively, leav'g land price roughly unchanged. On that base, pay same int., & higher tax rate.

causes $\therefore$ closer economy of land, up rectly. lowering land price, land is used less lavishly at the margin, both spatial & temporal.

That means higher intensity and faster renewal.

c. Above applies to unit land costs, & prices. As to aggregr. will likely fall, as best land is used more intensively.

2. Costs of improv'g land

~~These are abolished~~ Fiscal increments to costs are abolished reduced. Excess burden of contingent tax is lifted. Early means, over time, keep more capl. value on land; & for any given level of capl. invest it earlier. Means higher value ^{per sq. ft. when bldgs are new} ~~in initial~~ structures; & ~~also~~ probly shorter life. Latter gr. needs more study. Bldg. tax tends to

P ~~reduce durability in the good sense, but~~ ^{or bad} ~~built in value is taxed~~ ^{renewal is deferred.} ~~yrlly.~~ but to Δ durability in ^{good} ~~bad~~ sense, bcs ~~renewal is deferred.~~

^{bcs} a period between renewals, and also reduce initial quality, & durability includ'g durability, of bldg. Thus it leads to extend the pd. when it is ec. for individs to ~~hold old keep~~ ~~conspicuous~~

~~or~~ [drained, bled, exhausted, anaemic, bloodless, cadaverous carcass, ~~etc.~~ remains] keep standing the ^{empty shells} ~~bleed~~ ^{of once} ~~valuable~~ ^{valuable} bldgs., first by lowering the value initially built in; 2d, by emptied shells of once rich bldgs, ~~vacuous~~ ^{exhausted} ~~of their~~ ^{renew.} deferring replacement.

3. Expected Δ to l.v.

Tends ^{slightly} to damp them, even tho absolute level of l.v. ^{unit} not reduced, ~~but~~ for psych. reasons that taxes are immediately evident to all buyers, not deferred until bldg rises. Also, on land moves quicker to highest use, is less room for conjecture as to what ~~that will be~~, less uncertainty. Also, less time for floating value to float, certainly reduces area over which antis. ~~is~~ spread, by promoting compact expansion, & accelerating central renewal. Limits their relative weight anyway. ~~the~~ Eqn. where $MNR = P_i RPE - \frac{1}{2} \Delta P$, etc. Above applies only to limited proposal to shift bldg. tax to land. If also shift sales or inc. tax, will reduce relative effect of ΔP even more.

B. Impacts on land use

1. Genl principles

- a. Lot coverage & air space occupancy
^{probably}
 Tends to Δ lot coverage by ~~making~~ ^{by} yrlly cost of hold'g land; & cheapening cost of improvement.

But impact is not uniform. In fact, Δ land tax alone wd. reduce lot coverage for more persons than it did it, by cheapen'g lower'g yrlly cost of hold'g land. (to those pinched w. poorer credit ratings.) Wd. reduce lot coverage among ~~the~~ the most crowded dwellings, where excessive coverage is the greatest problem.

~~Combo of Δ leased tax & lower bldg. tax~~
 It is freeing bldgs of taxes that, in genl., tends to Δ lot coverage. Even that is uncertain. More cap./lot may take form of more quality, more height, ^{earlier} ~~frequency~~ renewal. Study must determine which.

It is certain that untaxing bldgs. tends to put more capl. into bldgs. What is not certain is whether that capl. will be, ^{in balance,} comply. to land, or subst. for land.

If substitution, that means more house per lot. If comply, however, the Δ cap. might take form of higher quality, ~~rather than higher lot coverage~~, & the owner might want more land to complement the finer house. It is true that the yrlly land cost rises; but this may manifest itself more by increased economy of land in the time-dimension (earlier renewal) than the space dimension.

The above is conjectural. The study will undertake to find a basis for a definitive statement.

In the event ~~that~~ of a finding that untax'g bldgs will Δ lot coverage, ~~to the degree that~~ ^{in a range where negl.} external costs exceed ^{negl} external economies, a modified land tax will be proposed, ~~to be based partly on lot coverage.~~

b. Quality

Untax'g bldgs. will clearly tend to upgrade quality. The positive external economies of that tend to offset negative ones from Δ coverage & ht.

c. Freq. of replacement ^{upgrading quality must be interpd to mean at any given level. There may be a selection process in any given open economy, where the in rem quality shift to lot accelerates replent.} of lot attract lower middle class residents of poor credit ratings

1. Land-time costlier

i.e. fixed or higher. tax rate higher, Δ smaller.

2. Renewal cheaper

Bldg. tax, stream of future Δ taxes. Say 2% of bldg. cost, C_0 — may be more if land cost rises too. Assume lasts for 50 yrs & ends. $P.V. = a \frac{1 - (1+i)^{-50}}{i}$; $a = .02 \cdot C_0$

$$i = .05. \quad P.V. = .02 C_0 \frac{18}{.05} = .36 C_0$$

Thus the p.v. of future bldg. taxes of .02 is about $\frac{1}{3}$ the C_0 . It is equivalent to a 36% sales tax on new bldgs.

To defer that tax, & reduce its frequency, landowners ~~will~~ ^{may} avoid renewal. Removing that tax brings buyers & sellers of new bldgs closer together by ~~the~~ about $\frac{1}{3}$ of cost. Another way to view it is adding tax rate to i.v.

The effect on replmt. ^{can} will be studied in WB context of renewal situations in Mke City. Timing of replacement detd. essentially by relationship of value of bare land for future use & stand-bldg. package in present use. Accelerat'g renewal results from a. WB. This village bridges gap betw. land prices

by former rel. to latter. Renewal programs quickly seek to bridge gap - & thereby let us see about what the gap is.

V. of W.B. has local renewal program, bridge gap when reaches o. \$5,000. Absorbs demolition loss of that amt, to gain ad future bldg taxes (& external exps.)

Fully subdgd programs, Urban renewal use land write-down Maxim Plaza, 1-yr exemption, etc. of public record by observ'g recy write-down on bldgs of various classes, get estimates of ~~good feeling~~ for the renewal gap. Estimate roughly, then, how many bldgs wld. immedly qualify for renewal if ~~bldg.~~ renewal gap lessened by remov'g bldg Tax.

Same for remodeling. Here, data ^{may be} available thanks to Mke ~~exemption~~ new policy allow'g more remodel'g w/o & amt.

d. Popn. Density

Residents. ~~Fear reported that untax'g bldgs as crowding, attracts undesirable.~~ Untax'g bldgs as approp. supply & quality of floor space, reduces crowding in part of floor space. As to density/acre, depends on outcome of

(a), above. Crowding is most serious in very old bldgs. Acceleration of renewal,

(c), above, ameliorates that.

See in ULI proposal

What is the present value of antic. bldg taxes of a) \$500/yr for 20 yrs
 at 5%
 b) 400/yr .. 20
 c) 300/yr .. 60 yrs

$$a) = 500 \frac{1 - (1+i)^{-20}}{i} = 500 \times 12.5 = \$6,250.$$

$$b) = 400 \left[\frac{1 - (1+i)^{-40} - (1 - (1+i)^{-20})}{i} \right] = 400 \frac{(1+i)^{-20} - (1+i)^{-40}}{i}$$

$$= 400 [17.2 - 12.5] = 400 \times 4.7 = \$1,880.$$

$$c) = 300 \frac{1 - (1+i)^{-60} - 1 + (1+i)^{-40}}{i} = 300 \frac{(1+i)^{-40} - (1+i)^{-60}}{i}$$

$$= 300 (18.9 - 17.2) = 300 \times 1.7 = \$510.$$

$$a + b + c =$$

$$1st\ 20\ yrs,\ (a), = \$6,250$$

$$2d\ 20\ yrs,\ (b), = 1,880$$

$$3d\ 20\ yrs,\ (c), = 510$$

$$\Sigma,\ 1st\ 60\ yrs, = 8,640$$

So, as matter of practical politics, let's fight for 20-year exemption of new buildings. Throw a bone to the opposition worth much less than they think.

Wd. also have to exempt re-building, might get messy.

Shorewood & Wm. Berry have policy of buying very old, undesirable buildings for c. 16 - 17,000. Bernatish, sell land for 8,000 or so. New bldg then returns bldg taxes to city much higher than old,

so city figures to recoup its loss from Δ taxes over 40 yrs.

Plus, city also gains in enhanced value of surroundings.

(also, higher inc. - tax returns from state.)

This shows what cd. be done w. l.v.t., which uses similar principle. Only lvt helps more, b/c buyer of lot (builder), or lot & house. (consumer), still has to pay for lot, & capitalize antici. bldg taxes.

w. lvt, buyer can pay \$8,000 more for ~~same~~ bldg - thus Δ demand for housing. ~~user~~ Pays no more for package, tho, b/c gets land cheap. Bldg's margin, = package price - lot price, rises from both sides? No, mainly from btm, lot price sinks, package price stays same.

So buyer's finig ~~per~~ burden is same, but 30% more goes into house.

Why central cities tax rates are higher.

Bes. old bldgs pay low taxes. So new ones get burnt of burden. So new ones not built. So, vicious circle.

Thus, central cities must let to revive, get new bldg, their tax rates are so hi.

Studies showing higher taxes of in central cities overlook several points.

Taxes per capita are based on resident population, not working pop., which is much higher, cfd. to suburbs.

Tax rates per \$ of v.e. are hi. (if they are), but most of the bldgs are older, but whole area developed earlier than suburbs. Old bldgs require as much or more public service, but are assessed low. Let solve this.

Essence of "B-C oral," is
recognition of offsite benefits in
A l.v. Nothing new, as Hines
points out.

"Practical" man says mustn't
arouse any maudlin protests, by old widows.

Reports: for every man who is trying
to accomplish the construction, there are
a dozen ~~old women~~ obstructionists
counting the favor of old women.
~~who~~ whose chief remaining pleasure is
their power to say No.

If we let the old women call the
shots, might as well turn the
country over to Nikita right now.

Comm. & ^{resid.} ~~indl.~~ land, front ft. basis makes sense bcs. junction or interface w. street is focus of value -- instead of a nucleus, like a farm, the interface is the hottest area.

Indl. land, sq. ft. basis is better.

Larry Orr

Tasks

Nos. refer to outline.

2, b, i. Present methods of ^{arriving} valuing land. See pp. 14 - 17

- i) Use of proximity in asmt.
- ii) Sources of l.v. data
- iii) Signals for changing valuation
- iv) Special problems
- v) Tax dodges
- vi) Latent value

2, b, iv: Property taxes on utilities

Ests. of effective rates -- degree of discrim. (Crough)

% of gross inc. paid in prop. taxes

Distrib. among jurisdns. ~~Does anyone~~

Welfare costs, and School Costs

How much

Who pays.

How important in explaining restrictive zoning, etc.



Patterns of decline of inc. from old bldgs. (to est. how much taxes slow renewal) Esply, does it fall off fast or slow. Net out rising costs of collection, upkeep, harassment, etc.

Tax-exempt property

Area, Value, ownership, use

Criteria for replacing intente capl. (destrg. costs)

Land use inventory.

Aggregate, by county, and by ~~city~~ ^{jurisdis.}

By rings, or sectors

Compare land use and land zoning inventories.

✓ Marginal increment to public costs by adding land at edge of city:

Street costs by land itself

Added load on interior

Added drainage, bridging, forestry

Compare these to Δg intensity of land use nearer center.

Kimball

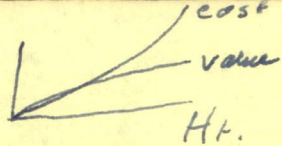
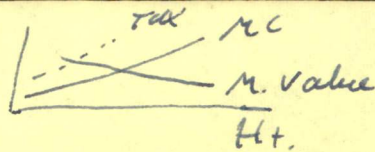
Comparison of densities. Posing of paradoxes

How much land would be needed to house everyone at densities of new apts? Same for indy., retail.

Evidence of greater compn. in central market place.

Dumping; sales; smaller firms; ~~non~~ comparative shopping

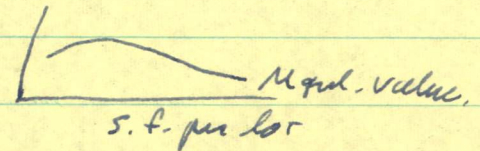
Evidence of higher load factors in central markets



Methods of assessing land

MP approach -- cost rising from going lower.

✓ Cf. values p s f in comparable neighborhoods where zoning prescribes different lot sizes. Thus see dim. MNP of land (i.e. value falls despite larger house on larger site.)



Wke. study

Jobs for ~~DTA~~ & ~~D7~~

1. L.v. map

a. Update -- introduce new data

b. Cf. years -- show changes over time.

✓ c. Cf. l.v. and r.e. values by e.d.s, show how much of city is near renewal

✓ d. Take a few specific blocks, show how many indiv. lots are near renewal.

2. Repren. -- D7 would be
good on this

a. Review Board

✓ b. Interview assts, find out how
they lower asmts. w. time.

3. Intensity, and uniformity

a. In perfect mkt., wd. you
get equal intensities of
neighboring land?

b. Does taxation ^{of bldgs.} reduce
uniformity?

4. Neighborhood specialization

5. Organize background info.

a. Acquisitions, different jurisdictions

b. Valuations, aggreg., by jurisdiction.

c. Uses of land,

d. Valuations on specific properties.

AB, Ann. Motors, M&E, etc.

6. Key info, now missing

a. L.v. in W. Milw.

b. L.v. ~~at~~ contrasts at city lines, due to tax & service differentials

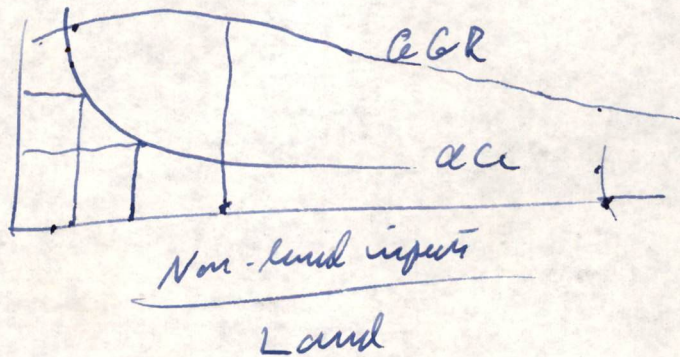
✓ c. Acquisitions for street widening as factor in L.v.

d. Linkages among indl. firms.

e. Info. on how assembly problems add to sprawl. -- known cases of "key blocks" by preemptors.

✓ f. How does one get things done in govt — i.e. get Zoning variances.

7. Rationality of low density
areas to resist premature
invasion.



M. C.

Project - min. xpt. cost among
land users. Grid vs. radial.

TOWN PLANNING DEPARTMENT OF WESTERN AUSTRALIA
22 ST. GEORGE'S TERRACE PERTH 6000 W.A. TELEPHONE 212631



GOVERNMENT
OF
WESTERN
AUSTRALIA

IN REPLY PLEASE QUOTE

Perry I. Prentice Esq.
Vice President
Time Inc.
Rockefeller Center
NEW YORK N.Y. 10020 U.S.A.

Dear Mr. Prentice,

When I arranged for a copy of our reprint of the celebrated 'House and Home' issue of August 1960 to be sent to Professor Mason Gaffney I didn't know that you, in Professor Gaffney's words, had been the 'senior author'.

In a separate envelope I have sent to you a copy of the reprint together with a copy of the first part of our subsequent interdepartmental report on the price of land. With them are copies of some newspaper reports on the report's early reception.

The helpful Senior Editor of 'House and Home', Mr. James P. Gallagher, was a pleasant collaborator in the production of the reprint. Copies of it were sent to him.

With this letter is a copy of my letter to Professor Gaffney.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'D.P. Cartwright', with a stylized flourish at the end.

D.P. CARTWRIGHT
SENIOR PLANNING OFFICER (EXECUTIVE)

DPC:LB

20.3.68

V.G. Peterson Esq.
Executive Secretary
Robert Schalkenbach Foundation
50 East 69th Street
NEW YORK N.Y 10021 U.S.A

Dear Mr. Peterson,

Many thanks for your letter of the 9th February 1968. I admired your phrase 'striving towards certain tax reform'. The path is not easy; but the goal makes the strife worth while.

In a separate envelope is a copy of the first part of our report on the price of land. The recommendations in it are assuming something of a central role in the electioneering that is going on for the State (Provincial) Parliament. The Labour opposition has endorsed most of the recommendations - including betterment - but the Liberal (conservative) Government is being coy about them. All as expected.

I'm keeping the clippings of press comments on the reception of the report and on the politicians' pronouncements about the recommendations in it. An interesting socio-political study should emerge. If you're interested I'll send you copies.

We'll discover what to be done when the election is over. Polling will take place on the 23rd March 1968. I'll let you know.

Incidentally, my experience in several continents is that rating on U.C.V. just doesn't produce results unless:

- (a) the valuation is close to the true market-value;
- (b) the tax is comparatively high; and
- (c) re-valuations are made religiously at not more than three-year intervals.

U.C.V. hasn't worked all that well in Australia - if it had we wouldn't be experiencing quite such a land-speculation problem in Western Australia - and when I was in Canada I was told that it wasn't doing too well there either.

On the other hand Johannesburg in South Africa - my natal place - has been singularly free of speculation in land. U.C.V. rating works there because all three prerequisites are carried out. It just doesn't pay to hold land - the purchase price and the holding costs mount up to a figure that is not profitably less than a delayed-selling price.

Yours sincerely,

D.P. CARTWRIGHT
SENIOR PLANNING OFFICER (EXECUTIVE)

DPC:LB

20.3.68

CONFIDENTIAL

Weekend of Oct. 11: 2 & 3; 5; 15; 16.

1

Mke. study, jobs to do in L.A.

1. Analyze gas distrib. cost models.

Peter's files; gas flow tables.

2. Perfect cadastral techniques. Use lib. and L.A. r.e. people.

4, b, i

Map; paints

Contour vs. block methods

How define land value in respect to subdivision & street improvements in suburban areas of transition and scattered subdivision.

3. Assessor's handling of details; of L.A. practice.

ICMS pp. 2-6.

Develop questionnaire, try it out here, mail to

Mke. City assessor, too

4. Bldg. cost and height. (Earthquake law research may help.)

Files

5. Increasing return from Δ no. of option combos. ^{increased} Increased spread of info. ^{contacts & with squares of nos.?}

as fr. of more contacts; probable productivity of info. because of increased amt. of complementary info.

6. Speed of bldg. depreciation. Empirical studies. Integrate w. work w.

Ricks.

7. Cost of bldg. gas stations. Capl: l.v. ratios.

8. Study land-appraisal techniques. Know the literature. Assemble experience tables for depth, corner, platage, pedestrian vs. auto orientation, etc.

9. Welfare payments, interjurisdictional sharing

National & W's. formulae and amounts.

To determine if added welfare load in Milw. is net cost to city.

10. Measures of construction as generator of employment.

Consult w. Leo Grebler. Study his books.

Priv. vs. public constn.

11. Find & analyze arguments against being able to separate land & bldgs.

4, e. Fisher, Ratcliff, Wendt. Fred Case?

12. Sources of data on urban rents: levels, and means of payment.

4, b, ii 90% of retail gross -- disincentive effects?

Rules of thumb: \$X psf for retail out let on good suburban street, etc. Fred Case & Leo Grebler.

Income from parking lots, &c. vacant uses.

13. ~~(Carried to p. 14 of outline. Region Research, Inc.)~~

Experience studies on effect of p.w. extensions on l.v., at several stages: promotion; planning; announcement; appropriation & initial commitment; opening; completion.

14. Treatment of elderly exemptions. Consult Yung-ping Chen.

15. Optimal layout of streets or utility under simple conditions.

16. How much would you have to raise tax rate to collect same levy from land as now collect from land & bldgs.?

1. Emph. relation of SOC & DPC.

Inter-site v. on-site sector, related but not identical lines of distinction

Longevity w/o durability, effect on need for SOC

Macro effects of SOC, slow turnover

2. Local v. genl. interest.

Key to getting ^{audience} ~~them~~ to lift sights

Emph. is part of genl. interest, not local so much.

Prove complexity by showing local but review l.v., w. simple assumptions, by excess burden of bldg tax.

Distinguish relocation of msc from net social additions, good lever here.

3. Contrast subsidy to horiz. xptn. vs. tax on vertical

Bldg. tax taxes several things:

Vertical xptn

- Newness, renewal

Quality

Lot coverage

4. Reject princ. of compensating error, or burning houses to roast pork.

E.g., subsidy to xptn., failure to penalize congestion, distorts location.

Solution not a genl. tax on bldgs., or factories, but one contriby to congestion.

5. Biggest reservation vs. lvt. is re density. - and fear of higher taxes

But lvt speeds replatting of old lots, too small. Let's lots expand as city expands. Flexibility.

Distribution is big thing.

1. Technical & mathematical pts.

a. Use appendix - or, Jerry says, supplemental pamphlet.

b. Approach cap. thy as an appraisal problem

2. Level of analysis

Don't be limited by previous ULI stuff. They want to move into another league, maybe hit Ford. Audience of profnl. certs? Appendix for that, major title aimed at wider audience.

3. Emphasize relation of SOC to DPI. Recall its vital role in turnover & muros.

Cap./output ratios, w. l.v. repg. the pub. capl. in part, -- outside public capl., anyway. Local pub. capl., locally forced, isn't repd. by l.v. unless local payment is ahead of true deprec.

4. Continual thread must be 'life rights.' introduced inoffensively, probly in respect to specifics. Look beyond the parochial. Meet them half-way, but no further!

Section on conflict of genl & local interests, is key to that, also to emphat. Use excess burden argument, show lvt $\rightarrow$ Δ l.v., so must be other bases of protest.

5. Dramatize & emphasize discrim. vs. vertical xptn., subsidy to horiz.

Rise to 21st floor, zip, you just walked 21 blocks in crowded city w/o getting in anyone's way.

Demolish the 'Empire State Bldg. argument.'

Gurly, proceeding at fairly popular level, use language & drama & contrast, have fun w. words.

6. Stress flexibility, speed of renewal, need for adaptation.
 of capital & sites. Tech. advances, & site adaptation, replatting (legal barriers, prescriptive str. of purpose, must change, too.)
 (Someone has a theory of ec. devmt. wherein older areas get trapped when they reach stage of ~~staggered~~ replacement. so all replacement must just fit into old patterns)

7. Propose redevelopment districts, where tax base is higher, recognizing plottage.

Replat streets on paper, announce date of change, etc.

Analogy in I.D.s. that integrated older systems, rationalized.

8. Initial theme: Lvt as tool for quickening renewal. Make positive case, then consider drawbacks, excessive density.

9. "Balanced growth" ... of SOC & DPC. [Synchronize - w/o overcoordinating]

Site capac. tax as means to attain it.

Forces priv. sector to match public

Forces pub. " " " " priv.

10. Zoning biased, vs. intensity. Ambivalent - see (c)

a. Sets max. density, not min., W. max. assumed optimal, & only 20% up to max., most are below opt. (But then intensive zones expand. see (c))

b. Prop. to reserve too much land for large lots.

c. Ambiversion: overzoning for intensive uses, zoning not all used.

Sequence of argument. 1) Best land is limited, but underused - sometimes thru underzoning that forces flattening-out of the city, but more gaily from other causes 2) Unmet demand pushes out, meets underzoning & other obstacles, but keeps spreading. 3) Logrolling creates overzoning, various peripheral neighborhoods (nds); 4) Politically indep. munis. get into act.

24.

23. Open space problem must be met.

It's more than that. Public space, usable, accessible. Gyms, thus provide much of what open space is supposed to give. Gyms, schools, playing fields, auditoria, dance floors, pavilions, harbors, marinas, community houses, tennis courts, bowling alleys, (ygh), swimming pools, tracks

All of above can be provided cheaper than large yards.

Compute rough cost of adding 10' front to all lots in WB, see what else cd. be done therewith.

Ring of houses opening on a central court is good for toddlers.

So: a) A good half of what we call demand for open space is demand for community facilities, esply. for children. *See Wke. Jnl. Cons. Anal.*

b) Demand for 'vistas' can be met by hi-rise w. views; parks;

~~examples~~

c) Compact city facilitates egress to country, & big peripheral parks, country clubs (the very name shows where it shd. be)

d) Lvt solves redistab. problem, so allows more differentiation of land uses, of intensities.

More intensity in one place allows more open space elsewhere.

Much of what is blamed on intensity is the fault of sprawl; more yet is the fault of age.

Let there be a high contact zone, w/o open space.

e) Difficulty in discussing open space, it is often held as a theological postulate, neither translatable nor negotiable.

24. Benefits of L.V.T. to stress

- a. Renewal
- b. Flexibility
- c. Equity, permits differentiation of areas
- d. Annexation etc. --- shifts heaviest tax burden back to central land, makes suburbs gladder to annex. Indeed, problem might become that center wd. resist!
- e. All the advantages of incl. enclaves, ~~no~~ & tax abatement, w/o pejorative aspects.

25. To introduce fc vs. lmc & smc for SOC, begin w. Wehrly's ~~best~~ dichotomy, services to people & to land. Show that "services to people" means hi smc. Most probable impln. of that is, smc & lmc, time to expand SOC.

26. Now we subsidize low-rent hsg., thus subsidize citizens w. fewest net external economies probly. I suggest exempting all.

27. LVT permits a facilitator reducing exemptions.

Exemptions are considerable - 26% prop. value in Pitts., 39% in Boston, 44% in W.D.C.

28. Modern idea that prop'ty. is no index to taxable capacity, wd. imply there is no tax-enclave problem. Bcs. residents of low-prop'ty. enclaves are as likely to have hi incomes as residents of hi-prop'ty enclaves. Use as reductio ad absurdum.

Analytical, ^{theoretical} conceptual, expository problems.

1. "Intensity"

Several components

What is optimal, with respect to each?

a. In free mkt

b. W. regard to external effs. — congestion of commons & public capl.
S.R. & L.R.; locational aspects; economy of SOC

How do our 2 kinds of taxes affect?

Overall intensity: the i.g. Several kinds of i.g.

Intensity & risk.

2. Valuation, appraisal

Best vehicle to introduce theory to practitioners

Comparative approach: how does land valuation differ from r.e. valuation?

Neither is perfect; which is easier?

Is valuation anything but a forecast? Expectation value.

Not much. Frequent revisions solve problem, however. Current rent
not appraisable alone, is part of whole use cycle. Shortening use
cycles is aid to appraisal.

Comparative approach is easier w. land, more homogeneous.

Imputation. Use lenticular curves. Adjust for remodeling & mutuses. Note how
valuation presupposes renewal timing decision, & how bldg. tax affects that.

3. Effect of bldg. tax on renewal gap.

4. Define conflict of local v. genl. welfare.

Often individs., egocentric, hurt immed. neighbors, but help
whole society, by intensive land use. Analogy of peasant - noble - king.

Gresham's law of neighborhoods? Tiebout's musical chairs?

5. Refine social costs related to p.u. land use

External costs. ~~in~~ Net of benefit. Some, like schools, are redistributed costs; distinguish from congestion, a net social cost. S.r. congestion can be relieved by new bldg, so l.v. mnx c may keep falling.

RIMS

6. Criteria for timing replacement of p.u.

When $srmc > lrmc$? Review notes for E.117.

7. Relate external costs to type of improvement, type of intensity.

What becomes congested, l.v.?

Streets, not by people, but cars. Even that reflects scatter, both of cbd & of resid. areas, that undermine public transit. Also reflects failure to apply l.v. to cars. Cite Vickrey. And grandfather clauses that give street space to cars from old bldgs.

Air - not by people but smokestacks, usually old ones; old cars; etc.

By noise - tax radios, advertising

Airspace - by ht. & volume of bldgs. Yet I doubt imptness of factor. Note how many one-storey factories lack skylights in middle, how many bldgs lack side windows needlessly, etc. Note how loft gets more workers near windows than does one-story

8. What kind of congestion does l.v. promote?

Labor-intensity in construction, over time. High volume

More cap. per person

Less land per person? Problematic, most

9. Effect on 'ec. base' - best approach to external economies

all prodn. in ec. base? at least all exports, all import-subs. All locally-produced services sub. for imports - even housing, bes. w/o it, workers wd. live elsewhere & commute; or spend less on hq. & more on other imports.

So all prodn. in ec. base.

✓ Essence of base idea is getting people to live in an area, thus A demand

9 (cont.) for its land. Anything that max's output helps. Dead land hurts.

Thus, ec. base concept is external ec. argument — best point of entry for it. 'External pec. ecs' sounds nebulous, but strengthening ec. base is potent, widely understood. Begin w. ec. base in usual sense; expand.

(Note ec. base, 2dary benefits, external ecs., all same ideas.)

e.g., tax exemption brings new factory, new payroll, new demand for land in area

Ec. base depends on where income is received, as that affects where it is spent. e.g. if land owned by absentee, paying rent is an export. So Δ resident ownership builds ec. base

10. Fear of encouraging undesirable indy., cheap labor.

Untax capl. wd. encourage more cap.-intensive indy., skilled labor, profits. Newer hsq, hence more profit. people.

11. ^a ~~Biggest~~ danger is cyclical, from lot.

Encourage growth, capl. import, get carried away

That danger is greater in new area, brash frontier, than redevent. areas.

? also same danger w/o lot. Need a lot, avoid instability.

12. Bigger danger is loss of pol. leadership

Rests Traditionally in landed, leisured, privileged class? Even in Mke?

But Mke is a 'working-man's town', pol. leadership not exists, & not corrupt either. Unusual?

Role of Cath. Church, ethnic orgs.

13. The 'over extended net^{work} effect'; 'premature network' effect.

The 'double cobweb effect' — web referring both to the s & d graph, & the geometric layout.

13, (cont.)

- 'Output and network' effect
- 'Far-flung network' effect.

14. Valuation & leverage.

Alleged greater leverage in valuing land w/o bldg., so harder to value land. Valid?

Likewise, or parallel, cd. say harder to value net inc. than gross.

The point presumes that land is valued on basis of residual approach. Expectation value is based on ignoring present bldgs, in their endless indiv. variety, & establishing a common expectation.

Crystal ball element is a problem, but general errors, e.g. as to future level of i.r., won't affect relative eft. values of different lots. Lots are homogeneous over wide areas, e.g. one block on 10th & 11th, while each house is different. J.P. in RMB, p. 30, says assessors ~~get~~ get l.v. by resid. method for each house, then 'smooth', to avoid discrepancies in a block. Under gpt there is no escaping separate land valuation anyway, bcs. proper inclusion of l.v. in purchase is as expectation value anyway, & not on assum. of perpetual inc. from present house.

15. Who loses from lvt?

a. Temporary.

Those w. underused sites, like ?.

b. Permanent

Those whose sites' best use involves little capl.