

Mason Gaffney
3040 Tyler Street
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30 Oct 86

Polly Cleveland
2179 South St.
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Dear Polly:

2nd week in Sept 87 I am to chair a TRED conference in Cambridge, MA, on "Efficiency of the Land Market". Some likely topics are:

"Are Land Value Increments Income (and How Should they be Taxed)?"

"Distinctive Traits of Land Markets"

"Timeliness of Supersession: Is it Socially Efficient to Hold for the Rise?"

"The Economics of Holding for Future Expansion"

"Tax Subsidies to Land Speculation (Effects of New Tax Law on Capital Gains)"

"Bilateral Monopoly in Adjusting Parcel Boundaries"

"Land Assembly for Plottage"

"Credit Rationing as a Barrier to Land Market Efficiency"

"Land Taxes and Market Efficiency"

"Legal/Institutional Barriers to Market Efficiency"

"Rent-seeking and the Creation of New Tenures: Is 'Soonerism' Socially Efficient?"

"Rent-seeking and U.S. Military Spending: How much is Defense, How much is Acquisition?"

"Open-access Lands vs. Closed: Can they Coexist Efficiently?"

"User-charges as Surrogates for Tenure Control of Open Lands"

"Land Allocation by Commission: A Case Study (of FAA, Water Commissions, Harbor Commissions, FCC, EPA, FERC, etc.)"

"Land as a Basis of Industrial Organization: Cartels, Oligopolies, Farm Production Controls, etc."

"Rights-of-Way and Common Carriers: How Common should Access Be (to highways, rails, power lines, canals, pipelines, etc.)?"

"Negative Externalities: Does the Market Need Zoning?"

"Public Administration vs. Privatization: Forest Management, National Parks, Mineral Leases, etc."

"Concentration and Absentee Ownership of Land (at Home and Abroad): Evidence of Market Failure?"

"Economies of Scale in Land Development: Real or Imagined?"

"Landholding, Politics and 'Public Choice' of Public Works: Which Public Chooses?"

"Corporate Raiding as a Market Mechanism: How Efficient?"

"Rate of Ownership Turnover and the Speed of Market Adjustments"

"Tax Non-uniformity between Land and Capital: Efficient or Not?"

"Land and the Quality of Credit: is it Safe to Monetize Land Values?"

Alas, we cannot cover many of those topics at one sitting, but it gives quite a range of choice to participants.

I am starting now to look for a publisher and a patron. It seems to me we have a salable concept, so long as we keep it lively and well salted with items of current concern.

Please let me know if you have suggestions for topics and/or speakers, including discussants for speakers.

Enclosed are some notes on "Land as a distinctive factor of production", to help define our subject.

Sincerely,

MG:mg

MG

*Long time we hear from you. How go life's
several concurrent struggles?*

Mason Gaffney
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24 June 91

W. 68th St.,
New York, NY 10023

Dear Polly:

Yesterday in the documents room I was scanning the reminiscences of Paul Taylor, and there, Lo! was a reference to Polly Roberts, "Power and Land in California," a 1971 summary of the 1973 Fellmeth volume. Remembering your comments on how Fellmeth hashed things up, I assume your product is superior. Yet, somehow, I have no copy of it. Will you be so kind as to supply me? I would be your everlasting debtor, etc.

I was looking (in vain) through Taylor for some insight on the U.S.B.R.'s attempt to make water a "public utility" along the FK Canal, rather than be "appurtenant" to specific lands. I had forgotten what a true monomaniac he was. Every reference to water was a reference to his one true faith and hobby, acreage limitation.

He also honored me with a reference. It was the interviewer who asked about something I had done on water permits. Taylor: "I believe he was a single-taxer." Interviewer: "Yes, I think so." That ended that. Broad-gauged fellow.

Have you read Barbara Ehrenreich, The Worst Years of our Lives? Priceless, don't miss it!

Back to water, I'm getting a lot of mileage out of the enclosed ms, "Whose Water? Ours." The "public utility concept" references are needed for it. When the Feds tried to make water transferable, it was "Communism!" Now the Republicans are doing it, duly giving away unearned increments in the process, it is the free market at work. EDF is riding the bandwagon, shamelessly. How I wish you could be here, leading the good fight as before!

Love,

Mase

Mason Gaffney
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13 July 91

Dear Polly:

Tomorrow let's storm Le Bastille!

I'm developing a sense of futility about getting responses from you, but here's another try. Enclosure is now more than a gleam in my eye, thanks to encouragement (can you believe it?) from RSF. Note you are item 17. Three questions:

- a. Can you supply the document?
- b. May I use it?
- c. Have you other suggestions?

Hope you and Tom are well, and the kids too, and they are adjusting well to their new family and living arrangements, and you have replaced all your free-riding rent-controlled old settlers with grateful, top-dollar newcomers: in short, may you and God together have solved all the problems that have or might beset you, all's right with your world. That is no less than you deserve.

Good news from RSF. Last meeting, we elected David Hapgood a new member of the Board! There's a new wind blowing fresh from over the banks.

Lemmenowatchathinkn.

Love,

Mase

Common Property and Private Tenures

Implementing Common Rights to Water and Land in California

Landmark Essays, Collected and Edited by Mason Gaffney

DRAFT of Contents, July 13, 1991

1. M. Gaffney, "Whose Water? Ours" (draft without citations; final version coming soon).
2. Merrill Goodall, 1991. "Property and Water Institutions in California." Draft, pp. 1-18, available from author, Claremont Graduate School. (Subject: landowner control of water districts other than Wright Act districts.)
3. Joseph Sax, 1990. "The Constitution, Property Rights and the Future of Water Law," U of Colo Law Rev 61:257. (Subject: legal basis for common rights in water; environmental emphasis.)
4. Don Villarejo, 1981. New Lands for Agriculture: the California State Water Project. Davis: California Institute for Rural Studies. (Subject: concentration of landholdings in project service areas.)
5. Bob Scrofani MS on irrigation districts (it needs more work, though.)
6. Albert Henley, 1969? "Land Value Taxation by California Irrigation Districts." In Arthur Becker (ed.), Land and Building Taxes. Madison: UW Press. (Capstone of several articles and addresses by Henley on effectiveness of lvt in pushing farmland to its highest use, in this case irrigated horticulture. Also deals with equity. Henley was a prominent lawyer in San Jose, and this has a heavy legal content, too.)
7. J.R. Mason, to be selected, and perhaps edited. (Mason was an ardent Georgist, and champion of irrigation districts.)
8. Selections from Michael Bradley and Rebecca Morales, The Metropolitan Water District, (showing how its Board is rigged to assure control by speculative landowners. This would take a few hours of editorial work, and some more of typing.)
9. Carey McWilliams, 1939. "Land Monopolization." Chap. 2, Factories in the Field, Boston: Little, Brown and Co., pp. 11-27. (Draws heavily on H. George, 1871.)
10. John Steinbeck, 1939. The Grapes of Wrath. Selections. (Publicity value; also realistic. Steinbeck was a San Francisco reporter who had investigated conditions in migrant labor camps.)
11. Frank Norris, 1901. The Octopus. Selections.

12. Henry George, 1871. Our Land and Land Policy. Selections
13. Josiah Royce, ... Feud of Oakville Creek. Selections. (Recommended by McWilliams. An obscure novel by a California historian.)
14. Peter Barnes, 197?. Selections. (A collection of neo-populist essays on land, from the Woodstock generation: something may be salvageable.)
15. Paul Gates, 1978. "California Land Policy and its Historical Context: the Henry George Era." Institute of Governmental Studies, Four Persistent Issues. Berkeley: University of California, pp. 1-30. (Gates was a very prominent historian. This is his only work on California, to my knowledge. It features Henry George.)
16. Walter Goldschmidt, 1947. As You Sow. The Free Press, Glencoe, Illinois. Selections. (Soberly written but unexpectedly provocative work about effect of farm settlement on community character: contrasts Arvin and Dinuba. Shares with Grapes of Wrath the honor of having been banned in Fresno.)
17. Polly Roberts, 1971. "Power and Land in California." (A summary of the Fellmeth Report, by a devoted Georgist who helped write it, but thought Fellmeth butchered it.)
18. Selections from B.F. Rhodes dissertation, "The Thirsty Land," (on rapid land development and division in Modesto and Turlock Irrigation Districts.)
19. Paul Taylor, something on the 160-acre limitation? (Taylor was wedded exclusively to one issue, acreage limitation, but produces good background material on concentration of landownership.)
20. Dick Walker? Write for submission.
21. Jan van Schilfgaarde? To be surveyed.
22. Phil LeVeen? (No response to call.)
23. Maybe Marion Clawson would write up story of attacks on BAE and him; maybe he already has - I've ordered his recent autobiography.
24. Something about importance of subdividing water: Roy Huffman, J.W. Powell, M.G. on Montana, Life of Chaffey, etc.
25. Edwin Wilson and Marion Clawson, 1945. Ag Land Ownership and Operation in the Southern San Joaquin Valley. Edited selections. (Dry and dusty dynamite - needs pizzazz.)

26. U.S. Bureau of Reclamation, Landownership Survey, selections, edited. Perhaps too overtly propagandistic? Cites land reformers over 2,000 years, as P.I. Prentice did in August, 1960, House and Home.

27. Other papers of mine that could be used if needed to round out a volume. These are ones that have had a good market.

a. Mason Gaffney, 1960. "The Federal Role in Water Development." Retitled by editor, "Water, Politics and Human Nature." Challenge 8(9):24-28, June 1960. (Permission needed?)

b. Mason Gaffney, 1969. "Economic Aspects of Water Resource Policy." AJES 28(2):131-44, April. (Our copyright.) Republished in Charles J. Meyers and Dan Tarlock (eds.) Water Resource Management: a Law School Case Book. Stanford Law School.

Republished in Jesse Dukeminier and James Krier (eds.) Property. Boston: Little, Brown, 1981.

c. Mason Gaffney, 1973. "A Critique of Federal Water Policy." In Robert Haveman and Robert Hamrin (eds.) The Political Economy of Federal Policy. New York etc., Harper and Row, 1973. (Originally this was testimony before the Joint Economic Committee of Congress, not copyrighted.)

Alternative Titles

Don't Fence Me Out

Crashing the Gates

The Boon of the Commons

Commons without Tragedy

Fences in the Water

Levelling Fences

The Book of Common Air¹

Bruce Billings, 19... "Severance Tax for Water ..." *California Tax Review*.

U.S.D.A., Bureau of Agricultural Economics, 1944. *Land Use Limitation in the Central Valley. A Report on Progress of the Central Valley Project studies.* Berkeley: mimeo.

E.A. Goldenweiser and John H. Henshaw, 1949. *Land Use in the United States.* U.S. Bureau of the Census. James P. O'Neil, ed. Washington: U.S.G.P.O.

Adrian Pelt, 1947. *Land Use in the Central Valley of California.* U.S.D.A. Forest of Agriculture. James P. O'Neil, ed. Berkeley, 1947. mimeo.

Leon Truesdell, 1941. "Farm Tenancy in the United States." In E.R.A. *California 1941.* Berkeley: U.S.D.A. Forest of Agriculture. G. New York: The Macmillan Co.

U.S. Bureau of Reclamation, 1949. *Central Valley Delta.* House Document 113, 81st Congress, 1st Session.

Jan van Schilfharde, 1970. *Water Conservation Potential in Irrigated Agriculture.* USDA Salinity Control Laboratory, Riverside, California.

William Warner, 1947. "Land Speculation." *Seagrass* 23: 33(4): 176-77.

Stanley Shapiro, *Prior discussion of the origins of the farm and of specialization.*

Robert S. Harris, *Paper on the history of the farm.*

Also note on cost of public works and the farm.

¹Some other time, for a book on air pollution.

To be surveyed

28. H. Rider Haggard, ???

29. L.C. Gray, 1931. "Land Speculation," ESS.

30. Dorothy Green. Write for selections from Waterlog, or other work.

"California Agricultural Background," 1939. Supplementary Exhibits, Part 62. Violations of Free Speech and Rights of Labor. Hearings before a Subcommittee of the Committee on Education and Labor, U.S.S., 76th Cong. 3d Sess, pursuant to Sen. Resolution 266 (74th Congress). Washington: U.S.G.P.O.

Bruce Billings, 19... "Severance Tax for Water ..." Western Tax Review,

U.S.D.A., Bureau of Agricultural Economics, 1944. Acreage Limitation in the Central Valley. A Report on Problem #19, Central Valley Project Studies. Berkeley: mimeo.

E.A. Goldenweiser and Leon Truesdell, 1920. Farm Tenancy in the United States. U.S. Bureau of the Census, Census Monograph #4. Washington: U.S.G.P.O.

Adon Poli, 1942. Land Ownership and Operating Tenure in Imperial Valley, California. U.S.D.A., Bureau of Agricultural Economics. Berkeley, lithographed and bound.

Leon Truesdell, 1931. "Farm Tenancy in the United States." In E.R.A. Seligman (ed.), Encyclopedia of the Social Sciences, Vol. 6. New York: The Macmillan Co.

. U.S. Bureau of Reclamation, 1949. Central Valley Basin. Senate Document 113, 81st Congress, 1st Session.

Jan Van Schilfgaarde, 1979. Water Conservation Potential in Irrigated Agriculture. USDA Salinity Control Laboratory, Riverside, California.

William Warne, 1947. "Land Speculation." Reclamation Era 33(8):176-77.

Stanley Sapiro, Brief discussing origins of Cal State Board of Equalization.

Marion E. Marts, paper on interstate flows.

Alan Post on cost of public works solutions.

Mark Kanazawa?

Dr. Mary M. Cleveland
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Monday, October 5, 1992

Dr. M. Mason Gaffney
3040 Tyler Ave
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Dear Mason,

No, I haven't fallen off the edge of the Earth. But as they say, the best is ever the enemy of the good. I've been wanting to make thoughtful, intelligent etc responses to the pieces you sent me. And somehow lacking the intellectual energy for this project, I have put off writing. Until suddenly I remembered, it's almost your birthday!

I also thought of you when I read the enclosed piece in the Wall Street Journal. Wasn't this your prediction for the fifties? Of course the collapse in New York real estate values has proved a blessing to me and Tom: it made the value of the property so much less than the amount of the mortgage that we could force the lender to renegotiate a lower mortgage and lower interest payments.

After a very bad period last fall and early this year, my health is much improved. For the last month, I have been able to walk without crutches; and just the ordinary activities of the day are no longer the struggle they used to be. Daniel is now almost 13, and in 7th grade. He's a delightful kid. He plays the violin beautifully, despite a lack of practice; he has enough talent to become a first rate professional musician. Abigail moved in with Keith at the beginning of the year and has refused to have any contact with me since then. I assume she's well.

So I'm feeling more energetic and hoping that between the demands of the furnished rental business and coaching Daniel's music I can get back to something more intellectual. I heard MacNeil or Lehrer interview Andre Marrou the other night. MacNeil or Lehrer asked him wouldn't it be bad to abolish the income tax since that would force us back onto more regressive taxes. Marrou ducked the question, responding that it would be easy to cut the Federal budget by the amount collected from income taxes. I guess property taxes are more forgotten than ever! Both Bush and Clinton talk as if the only choice lay between taxing capital and taxing labor.

Happy Birthday!

Love,

AUG 03 1995

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26 July 95

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Dear Polly:

In our last call we discussed phantom income, and how land income is immune from it because land does not depreciate (there is no cost recovery, or Capital Consumption Allowance [CCI]). Herewith is my NTA paper on "The Partiality of Indexing Capital Gains." As I mentioned, what we need is a tidy little math model showing to what extent land is favored. Given the model, plug in some reasonable numbers and make a table. Results should be striking.

I started to make such a model for the paper, but got sidetracked, and still am. Here are the outlines of the method for it, however. It is really quite simple, I think. Flesh it out a bit and we'll send it to the NTJ. By the way, Editor Joel Slemrod liked my review of Oates and Schwab (which I think I sent you). See enclosed note from Slemrod. Result: we may have a little credit at NTJ.

To show the method in another context, I also enclose draft of "Taxes on Yield, Property, Income, and Site" (TYPIS).

Method for model showing exemption of land from tax on phantom income:

T = Value of land (Terra) after income tax, no inflation
U = Terra after income tax, with inflation

D = Value of Depreciable capital after tax, no inflation
E = Value of same, with inflation

To prove: $U/T > E/D$

Simplifying (?) premises:

No shifting of tax; it is borne in lower DCF values
Interest rate (i) is fixed exogenously, after tax,
does not bear any tax

Simple income tax, not graduated

Straight-line depreciation over x years (tax-life)

n = economic life. $n > x$

Level cash flows in constant \$, ending in n years (but

Dr. Mary M. Cleveland

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November 11, 1995

Dr. Mason Gaffney
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Dear Mason:

In case you were wondering whether I really was doing anything, I have enclosed the typed-up portion of "A Taxing Tale of Two Cities." As far as it's typed, it illustrates the effect of a corporate income tax, without and with "land"--which I model with taxi medallions. I've also worked out inflation and indexing. The part I've sent is done with "one-hoss shays," which last a fixed time and then disintegrate. I've also done the equations for more plausible capital assets, which deliver a declining service flow. Results are pretty much the same, but the exposition is much messier.

Anyway, I'm back at it again. Will send you the rest as I get it typed up.

I've been checking into Dan Sullivan's Land Access thing on the Internet. The discussion is mostly quite intelligent, though too much focussed on land and building taxes. Long and somewhat justified complaint from Alana Hartzog about Bob Einsweiler. Much discussion from Fred Folvary and an Australian or two. Message from someone (Lindy?) GET GAFFNEY ON THE NET!!!

Love,

SEP 25 1995

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19 Sept 95

Polly Cleveland
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Dear Polly:

Here is another article in the making. It calls for your expert touch: you know how to run data through the mill and come up with goodness of fit, tests of validity, perhaps Granger Causality, t-stats, regression coefficients, and all that conventional apparatus. In case you want to do it, I enclose copies of all the original data, from ACIR, 1994, **Sig Features of Fisc Fed**, 2 vols., Vol. 2.

Love,

M.

Table R-2
State Rankings for Selected State-Local Revenue Items
Per Capita and as a Percentage of State Personal Income
FY 1992

SEP 25 1995

Rank	State	All Tax Revenues		Percent of Personal Income	State	Property Taxes		Percent of Personal Income	State	Individual Income Taxes		Percent of Personal Income	Rank
		Per Capita	State			Per Capita	State			Per Capita	State		
1	AK	\$3,835	AK	17.4%	NH	\$1,344	NH	6.1%	NY	\$1,005	NY	4.2%	1
2	NY	3,534	NY	14.7	NJ	1,268	WY	5.3	MA	891	OR	4.0	2
3	CT	3,061	HI	13.2	CT	1,198	VT	5.1	MD	873	MA	3.8	3
4	HI	2,935	WY	12.5	NY	1,178	NY	4.9	HI	785	MD	3.8	4
5	NJ	2,926	WI	12.2	AK	1,069	NJ	4.9	DE	759	DE	3.7	5
6	MA	2,554	VT	12.1	WY	991	MI	4.9	OR	747	HI	3.5	6
7	MN	2,480	MN	12.1	VT	954	AK	4.8	MN	671	KY	3.3	7
8	DE	2,341	ME	11.8	MI	950	RI	4.7	WI	629	WI	3.3	8
9	WY	2,335	AZ	11.6	RI	943	OR	4.6	OH	581	MN	3.3	9
10	CA	2,333	NM	11.6	MA	877	ME	4.5	CT	569	OH	3.1	10
11	MD	2,332	DE	11.3	OR	864	CT	4.4	CA	551	ID	3.0	11
12	WI	2,325	CT	11.3	IL	849	MT	4.4	KY	547	NC	2.9	12
13	WA	2,322	OR	11.3	ME	822	WI	4.3	PA	545	UT	2.8	13
14	VT	2,283	NJ	11.2	WI	822	TX	4.0	NJ	525	IA	2.8	14
15	RI	2,243	IA	11.1	MN	778	IA	3.9	NC	524	PA	2.6	15
16	IL	2,205	MI	11.1	FL	738	IL	3.9	VA	519	ME	2.6	16
17	PA	2,190	RI	11.1	TX	730	AZ	3.9	IA	505	CA	2.6	17
18	MI	2,173	CA	10.9	NE	729	NE	3.8	ID	502	VT	2.5	18
19	ME	2,152	UT	10.9	KS	728	MN	3.8	ME	479	VA	2.5	19
20	NH	2,098	WA	10.9	LA	713	KS	3.8	RI	478	IN	2.5	20
21	OR	2,096	MT	10.9	MT	707	FL	3.7	VT	475	GA	2.5	21
22	IA	2,032	MA	10.8	WA	680	MA	3.7	CO	465	SC	2.4	22
23	NV	2,031	ID	10.7	CO	674	SD	3.6	GA	455	MT	2.4	23
24	CO	2,024	NE	10.7	AZ	674	CO	3.3	IN	451	RI	2.4	24
25	AZ	2,022	WV	10.6	CA	667	WA	3.2	UT	431	OK	2.3	25
26	NE	2,021	KY	10.6	MD	653	ND	3.1	NE	408	AR	2.3	26
27	VA	1,984	PA	10.6	VA	648	CA	3.1	MO	397	CO	2.3	27
28	KS	1,964	LA	10.4	SD	612	VA	3.1	IL	395	WV	2.2	28
29	OH	1,936	ND	10.3	PA	609	IN	3.1	SC	392	NE	2.1	29
30	FL	1,922	OH	10.2	IN	568	OH	3.0	MT	391	CT	2.1	30
31	TX	1,857	NC	10.2	OH	567	UT	3.0	MI	385	MO	2.1	31
32	GA	1,826	KS	10.1	GA	540	PA	2.9	OK	380	NJ	2.0	32
33	NC	1,814	IL	10.1	ND	533	GA	2.9	AR	355	MI	2.0	33
34	NM	1,788	TX	10.1	NV	488	MD	2.8	WV	339	AL	1.9	34
35	IN	1,786	MD	10.0	HI	481	SC	2.8	KS	332	AZ	1.9	35
36	ID	1,780	OK	10.0	UT	461	ID	2.7	AZ	324	NM	1.8	36
37	MT	1,770	GA	9.8	SC	451	MS	2.5	AL	312	IL	1.8	37
38	ND	1,763	CO	9.8	ID	447	NV	2.3	NM	281	KS	1.7	38
39	KY	1,755	SC	9.8	MO	402	HI	2.2	LA	203	LA	1.3	39
40	UT	1,701	FL	9.8	NC	374	MO	2.1	ND	189	MS	1.2	40
41	MO	1,666	IN	9.7	MS	357	NC	2.1	MS	168	ND	1.1	41
42	WV	1,660	AR	9.7	TN	348	TN	2.0	NH	31	NH	0.1	42
43	LA	1,654	NH	9.6	DE	330	WV	1.9	TN	19	TN	0.1	43
44	OK	1,635	VA	9.5	KY	297	KY	1.8	SD	n.t.	SD	n.t.	44
45	SC	1,584	MS	9.4	WV	294	LA	1.7	TX	n.t.	TX	n.t.	45
46	SD	1,565	NV	9.4	LA	277	AR	1.7	FL	n.t.	AK	n.t.	46
47	AR	1,518	SD	9.1	AR	261	DE	1.6	NV	n.t.	WA	n.t.	47
48	TN	1,471	MO	8.8	OK	243	OK	1.5	WA	n.t.	FL	n.t.	48
49	AL	1,435	AL	8.7	NM	217	NM	1.4	AK	n.t.	NV	n.t.	49
50	MS	1,323	TN	8.3	AL	174	AL	1.1	WY	n.t.	WY	n.t.	50
	US	2,178	US	10.8%	US	699	US	3.5%	US	452	US	2.2%	
	DC	4,114	DC	14.7	DC	1,544	DC	5.5	DC	1,073	DC	3.8	

n.t. — no tax

Profile
State Rank, by Population, Total Personal Income, and Per Capita Personal Income

Rank	State	Population 4/1/92 (thousands)	State	Personal Income CY 1992 (millions)	State	Personal Income Per capita	Rank
	US	255,075	US	5,128,373	US	20,105	
1	CA	30,895	CA	659,567	DC	27,920	1
2	NY	18,109	NY	436,354	CT	27,151	2
3	TX	17,683	TX	326,016	NJ	26,092	3
4	FL	13,483	FL	265,764	NY	24,096	4
5	PA	11,995	IL	252,858	MA	23,675	5
6	IL	11,613	PA	247,611	MD	23,269	6
7	OH	11,021	OH	209,851	HI	22,195	7
8	MI	9,434	NJ	204,038	AK	22,058	8
9	NJ	7,820	MI	184,765	NH	21,935	9
10	NC	6,836	MA	141,884	IL	21,774	10
11	GA	6,773	VA	133,534	NV	21,655	11
12	VA	6,394	GA	125,642	CA	21,349	12
13	MA	5,993	NC	122,117	WA	21,288	13
14	IN	5,658	MD	114,414	VA	20,884	14
15	MO	5,191	WA	109,485	DE	20,721	15
16	WA	5,143	IN	103,922	CO	20,664	16
17	TN	5,025	MO	98,470	PA	20,643	17
18	WI	4,993	WI	95,049	MN	20,504	18
19	MD	4,917	MN	91,611	RI	20,284	19
20	MN	4,468	CT	89,029	FL	19,711	20
21	LA	4,279	TN	88,816	MI	19,585	21
22	AL	4,138	CO	71,600	KS	19,389	22
23	AZ	3,832	AL	68,358	OH	19,041	23
24	KY	3,754	LA	68,167	WI	19,036	24
25	SC	3,603	AZ	66,687	MO	18,969	25
26	CO	3,465	KY	62,043	NE	18,968	26
27	CT	3,279	SC	58,410	VT	18,804	27
28	OK	3,205	OR	55,286	WY	18,622	28
29	OR	2,972	OK	52,630	OR	18,602	29
30	IA	2,803	IA	51,225	GA	18,550	30
31	MS	2,615	KS	48,764	TX	18,437	31
32	KS	2,515	AR	37,434	IN	18,367	32
33	AR	2,394	MS	36,827	IA	18,275	33
34	UT	1,811	NE	30,368	ME	18,168	34
35	WV	1,809	NV	28,931	NC	17,864	35
36	NE	1,601	WV	28,215	TN	17,675	36
37	NM	1,582	UT	28,206	AZ	17,403	37
38	NV	1,336	HI	25,657	SD	17,208	38
39	ME	1,236	NH	24,457	ND	17,049	39
40	HI	1,156	NM	24,452	ID	16,647	40
41	NH	1,115	ME	22,456	KY	16,527	41
42	ID	1,066	RI	20,304	AL	16,520	42
43	RI	1,001	ID	17,746	OK	16,421	43
44	MT	822	DC	16,333	MT	16,234	44
45	SD	708	DE	14,318	SC	16,211	45
46	DE	691	MT	13,344	LA	15,931	46
47	ND	634	AK	12,970	AR	15,637	47
48	AK	588	SD	12,183	WV	15,597	48
49	DC	585	ND	10,809	UT	15,575	49
50	VT	571	VT	10,737	NM	15,456	50
51	WY	465	WY	8,659	MS	14,083	51

Source: ACIR computations based on U.S. Department of Commerce, Bureau of the Census, *Projections of the Population of the States by Age, Sex, and Race*; and *Survey of Current Business*, August 1994.

SEP 25 1995

Stimulating Effect of Proptax
Notes by Mason Gaffney, 9/95

A. ACIR, 1994. **Sig Features of Fisc Fed.** 2 vols.

1. Unlike earlier years, SFFF has virtually nothing on proptax. However, it gives state data on p.187, which are used here.

2. Vol. 2, T. R-2, p.187, gives "Proptaxes p.c." by state, FY 1992.

Table 1: Alabama, New Hampshire, and the U.S.

<u>Place</u>	<u>Proptax</u> <u>per cap</u> <u>(\$)</u>	<u>All S&L Taxes</u> <u>per cap</u> <u>(\$)</u>	<u>Ratio</u>
U.S.	699	2178	.32
NH, top	1344	2098	.64
AL, btm	174	1435	.12

3. The top 5 states in Proptax/cap are higher income than the lowest 5 states. "Personal Income per Capita" from Vol. 2, p.198.

Table 2: States Ranked by Property Tax per Capita

<u>State</u>	<u>Per Capita Figures</u>			<u>Psnl Inc/capita</u>	
	<u>Proptax</u>	<u>Alltax</u>	<u>Ratio</u>	<u>\$k</u>	<u>Rank</u>
<u>TOP FIVE</u>					
NH	1344	2098	.64	21.9	8
NJ	1268	2926	.43	26.1	2
CT	1198	3061	.39	27.2	1
NY	1178	3534	.33	24.1	3
AK	1069	3835	.28	22.1	7
Unwtd. Mean	1211	3091	.41	24.3	4.2
<u>BOTTOM FIVE</u>					
LA	277	1654	.17	15.9	45
AR	261	1518	.17	15.6	46
OK	243	1635	.15	16.4	42
NM	217	1788	.12	15.5	49
AL	174	1435	.12	16.5	41
Unwtd. Mean	234	1606	.15	16.0	44.6

The "NH 5" have high proptax/cap as the sum of two reasons: A, higher taxes/cap; B, higher proptax/alltax. Of the two reasons, higher proptax/alltax is stronger: $.41/.15 = 2.73$; $3091/1606 = 1.92$.

Do they levy higher taxes/cap because of higher p.c. incomes? $24.3/16.0 = 1.52$. This direction of causation would require that a 52% rise of income/cap caused a 92% rise of alltaxes, and a 173% rise of proptaxes. That seems extreme, and therefore implausible. It is more plausible that the heavier dependence on proptaxes caused the rise of personal income/cap. This is pursued in #5, below.

4. Hypothesis: High Proptax/Alltax is associated with high Psnl. Inc./Cap. This is important enough so: **COMPLETE THE RANKING BY PROPTAX/ALLTAX..** Take the top 11 vs. the bottom 11, cf. their incomes p.c.

All states ranked by Proptax/Alltax, 1992. Top and Bottom 11s only. Tax data on per capita basis. Data from SFFF, pp. 187, 198.

Table 3: States Ranked by Ratio of Property Tax to All Taxes

St.	Alltax	Proptax	Ratio	Rank	PI/Cap	Rank
NH	2098	1344	.64	1	21.9	8
MI	2173	950	.44	2	19.6	20
NJ	2926	1268	.43	3	26.1	2
WY	2335	991	.42	4	18.2	27
VT	2283	954	.42	5	18.8	26
RI	2243	943	.42	6	20.3	18
OR	2096	864	.41	7	18.6	28
MT	1770	707	.40	8	16.2	43
CT	3061	1198	.39	9	27.2	1
IL	2205	849	.39	10	21.8	9
TX	1857	730	.39	11	18.4	30
Mean	2277	982	.43		20.7	19.3
TN	1471	348	.24	40	17.7	35
NC	1814	374	.21	41	17.9	34
WV	1660	294	.18	42	15.6	47
KY	1755	297	.17	43	16.5	40
AR	1518	261	.17	44	15.6	46
LA	1654	277	.17	45	15.9	45
HI	2935	481	.16	46	22.2	6
OK	1635	243	.15	47	16.4	42
DE	2341	330	.14	48	20.7	14
AL	1435	174	.12	49	16.5	41
NM	1788	217	.12	50	15.5	49
Mean	1819	300	.17		17.3	36.3

The mean personal-income per cap. rank of the high proptax/alltax states is 19.3, vs. 36.3 for the low proptax/alltax states.

Mean alltax revs. are higher in the NH 11. This refutes the ordinary line that states like NH skimp on public spending.

The starkest contrast is between NH itself, with 64% of its S&L revenues from the proptax, and AL and NM, with 12%. NH ranks #8 in PI/Cap; AL ranks #41; NM ranks #49.

AL and NM are in the fast-growing sunbelt, but they are not high-growth states. NH is an old state in an old region - one of the original 13 colonies - but it is a growth state (get data on that). NM is between AZ and TX, two of the fastest-growing states, but NM does not grow much. UT and CO and NV all grow, but not NM. It does not attract many immigrants.

NM is a border state, with a minority popn. which doubtless lowers its mean personal income. So, however, is NH. The immigrant Quebecois fraction of the NH popn. probably exceeds the immigrant fraction in NM, and certainly that of AL.

We cannot attribute the higher proptax/alltax ratio of NH to higher incomes in NH, because its other taxes are much lower. It is, in fact, below the U.S. mean in Alltax/cap. The ordinary income-catchword line is that income arises independently of tax expenditures, and taxes are a kind of consumption item, reflecting a consumer taste for S&L services. This blanks our minds to the possibility that a better tax system might raise incomes, and/or attract people of higher income.

NH is a rugged, mountainous northern-tier New England state with harsh winters, no outstanding farm resources, or minerals, or fuels, or ports, or natural urban confluences. Most of its affluent summer residents presumably report their incomes elsewhere, to the south. It has many old mill towns with obsolescent and closed plants. Its only natural or non-institutional "lucky break" advantage would seem to be its Boston suburban bedroom communities on the Mass. fringe, but it is doubtful if they make up a large share of its population.

The mild winters of NM and AL let people survive with lower incomes than required to survive in NH. On the other hand, this factor tends to raise land values in the milder states, and should therefore make it easier to raise proptax revenues. This clearly has not been done in NM and AL.

The most likely causal relationship, therefore, is from the tax system to the personal income. Let us, therefore, pose the hypothesis that heavy reliance on property taxes, as opposed to other standard kinds, tends to cause higher incomes per capita. The data given support the hypothesis.

5. Rank by Personal Income per Capita (PI/Cap). This will sort out the effect of PI on taxes. States with higher PI/Cap will also have higher Alltax/Cap, because of income-elasticity (ϵ) of demand for public services. However, higher income will not cause higher reliance on the proptax. (If anything, it would cause higher reliance on the income tax.) Therefore, a finding of higher ratio of Proptax/Alltax in high income states indicates that the high ratio itself caused the higher incomes.

Table 4: States Ranked by Personal Income per Capita

<u>St.</u>	<u>PI/Cap</u>	<u>Rank</u>	<u>Alltax</u> <u>/Cap</u>	<u>Proptax</u> <u>/Cap</u>	<u>Proptax</u> <u>/Alltax</u>
<u>TOP TEN</u>					
CT	27.2	1	3061	1198	.39
NJ	26.1	2	2926	1268	.43
NY	24.1	3	3534	1178	.33
MA	23.7	4	2554	877	.34
MD	23.3	5	2332	653	.28
HI	22.2	6	2935	481	.16
AK	22.1	7	3835	1069	.28
NH	21.9	8	2098	1344	.64
IL	21.8	9	2205	849	.39
NV	21.7	10	2031	488	.24
Mean	23.4		2751	940	.35
<u>US</u>	<u>20.1</u>		<u>2178</u>	<u>699</u>	<u>.32</u>
<u>BOTTOM TEN</u>					
AL	16.5	41	1435	174	.12
OK	16.4	42	1635	243	.15
MT	16.2	43	1770	707	.40
SC	16.2	44	1584	451	.28
LA	15.9	45	1654	277	.17
AR	15.6	46	1518	261	.17
WV	15.6	47	1660	294	.18
UT	15.6	48	1701	461	.27
NM	15.5	49	1788	217	.12
MS	14.1	50	1323	357	.27
Mean	15.8		1607	344	.21

SUMMARY OF AND INFERENCES FROM TABLE 4, ABOVE

1. The U.S. mean Proptax/Alltax is .32. 6 of the Top Ten states are above it. The other four are MD, .28; HI, .16; AK, .28; and NV, .24. The (unweighted) mean for the Top Ten states is .35.

9 of the Bottom Ten states are below the .32 ratio. The sole exception is MT. The unweighted mean for the Bottom Ten states is .21.

Thus, a high ratio of Proptax/Alltax is moderately associated with the Top Ten; while a low ratio is strongly associated with the Bottom Ten. Thus, a tax-mix that is rich in Proptax does not guarantee high incomes, but a tax-mix that lacks Proptaxes seems to guarantee low incomes.

2. Moving from the means of the Bottom Ten to the Top Ten:
- PI/Cap rises from 15.8 to 23.4, a rise of 48%
 - Alltax rises from 1607 to 2751, a rise of 71%
 - Proptax rises from 344 to 940, a rise of 173%

One might explain the rise of Alltax as an effect of the rise of income. There is nothing, however, about a rise of income that would explain a higher preference for Proptax over All Other Taxes. This leaves us with the more likely finding that the preference for Proptax explains the higher incomes.

A weaker statement is that high incomes permit of higher Alltax, which acts as a brake on further rises, except that people learn to switch to a higher mix of Proptax because it is less braking than other taxes.

3. Moving from the mean of the Bottom Ten to the Top Ten, the ratio of Proptax/Alltax rises from .21 to .35, a rise of 67%.

4. The unweighted means of the Top Ten exceed the U.S. means as ff:

- PI/Cap is 23.4, exceeding the U.S. mean of 20.1 by 16%.
- Alltax is 2721, exceeding the U.S. mean of 2178 by 25%.
- Proptax is 940, exceeding the U.S. mean of 699 by 34%.

5. The unweighted means of the Bottom Ten fall below the U.S. means as ff:

- PI/Cap is 15.8, or 21% below the U.S. mean.
- Alltax is 1607, or 42% below the U.S. mean.
- Proptax is 344, or 51% below the U.S. mean.

6. Moving from the Bottom State, MS, to the Top State, CT, we see the ff. rises:

- PI/Cap rises from 14.1 to 27.2, or by 93%
- Alltax rises from 1323 to 3061, or by 131%
- Proptax rises from 357 to 1198, or by 236%

7. Another difference between the Top Ten and the Bottom Ten is that the Bottom Ten are more rural. There is no obvious reason, however, why being rural would create a preference for All Other Taxes over Proptaxes. A plausible hypothesis, however, is that a bias against proptaxes would inhibit the growth of cities and commerce. NH is a state that has become quite urban in spite of lacking any great natural urban confluence, whereas LA, MS, and AL all are located on great waterways.

Our source, SFFF, reports separately on one city, that is Washington, D.C. It is, of course, a unique city and data on it may prove nothing about any other city, but I present them here for such bearing as they may have on this point.

Table 5: Washington, D.C.

<u>POLITICAL CITY-STATE</u>					
<u>St.</u>	<u>PI/Cap</u>	<u>Rank</u>	<u>Alltax</u> <u>/Cap</u>	<u>Proptax</u> <u>/Cap</u>	<u>Proptax</u> <u>/Alltax</u>
DC	27.9		4114	1544	.38

6. Time-series Analysis: the California Case.

What happens when a State abruptly changes its degree of dependence on the property tax? California provides the most obvious case study, 1978-date. Its rank in P.I./Cap has dropped from #x, 1978, to #12, 1992. Its unemployment rate has risen from xx to xx. Its student/teacher ratio, Grades K-12, has risen from xx to xx.

MA is another case, ff. its so-called "Prop 2½," 19xx.
(Fill in data.)

DEC 26 1995

Mason Gaffney
P.O. Box 7998
Riverside, CA 92513

909/687-1677
OFF 909/787-5037, x1574
FAX 909/787-5685

17 Dec 95

Mary Cleveland
14 W. 68th St.
New York, NY 10023

Dear Polly:

Enclosed is the Levy paper, done at last.

Also, copy of "The Property Tax is a Progressive Tax." I am delighted you remember this ancient piece. I modestly like it myself, but am biased. RSF used to stock the original RFF reprints, but ran out. If they have an original left, it would of course make a better master. I have just one original myself, if you need it.

I seem not to have any copy of "In Praise of the Property Tax." It is in The Washington Monthly, February 1973, lead article. Some editor took great liberties with it.

Love,

M.

JUN 29 1995

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22 June 95

✓ Oscar Johannsen and Lowell Harriss
RSF
41 E. 72nd St.
New York, NY 10021

Dear Oscar and Lowell:

Ekograd in St. Petersburg has just published a book edited by me and Tamara Chistyakova. Unfortunately for me, it's in Russian. It's transliterated title: *Rossiiskaya Zemelnaya Reforma: Zemlya i Sovstrennost*. That seems to mean Russian Land Reform: Land and Property. My contribution is a chapter called "Privatizing Land without Giveaway." At least, that is what I called it. The translator rendered the title simply as *Privatizatsiya Zemli*. It will take me a while to labor through the Russian and "look what they've done to my song"; however, I trust Tanya Roskoshnaya, our translator. She is a good Georgist and a loyal, intelligent, conscientious person.

Most people would be unable to crack the Cyrillic code, but that should not phase Jeff Smith with his family connections. Maybe he and his Mrs. could apply to RSF for a grant to translate this into English, for RSF to consider publishing? I've suggested it to them. Half the papers were originally in English, and could be secured without translation. These are by myself, Fred Foldvary, Fred Harrison, Ronald Banks, Francis Smith, and Richard Noyes.

My paper is the one I gave at the RSF-sponsored conference on Russian land reform. Nic Tideman has not been able to get those papers published. It might be a good idea for RSF to publish some of them now, anyway - perhaps combining them with some of the Ekograd papers.

Naturally, RSF would have to see the papers in English before deciding if they are worth publishing in English.

I'll be sorry to miss you in Chicago, but the \$300+ surcharge was the straw that broke this camel's back.

Faithfully,

M.

Mason Gaffney
3040 Tyler Street
Riverside, CA 92503

6 May 88

Mary M. Cleveland
12 W. 68th St.
New York, N.Y. 10023

Dear Polly:

Enclosed data on land prices, floor rentals and building costs in s. Cal. may be useful in your work. Rather than let 12 years of clippings moulder in the files I put them all together for class use. They tell quite a story: quite a few, in fact, like The Bible. Them that has eyes to see, let'm see.

Sources are given only broadly: the originals in all their scholarly detail are mostly on file, if needed.

P/E means Riverside Press/Enterprise.

LAT means Los Angeles Times

Self means various real estate people I worked with.

Manhattan is a monthly magazine.

Use with care: combustible material.

Sincerely,

Mase

LAND PRICES, S. CALIFORNIA
(with a few other prices added for reference and comparison)

RANKED DATA GROUP #1, mainly 1978-82
[Data ranked by price psf]

<u>Date</u>	<u>Price psf</u>	<u>Location; comments</u>	<u>Source</u>
<u>Prelude</u>			
43	.000063	Apple Valley. Newton Bass buys at \$2.75/acre to seek oil.	NOTES
58	.25	Bass had struck water and L.A. had spread. A price increase of 4000-fold in 15 years, annual rate of 74%.	NOTES

81	.25	Rancho California, asking. Large tracts go for less, down to .10. Road access important. MWD water supply vital. Fwy construction vital.	SELF SELF
80	.28	Grove, Riv Greenbelt, ordinary location	
80	.32	Poppy Hill, Riverside, s. slope, between Boundary Lane & Cross St., subj to 5-acre min lot size, 1/4 mi from nearest street.	SELF
80	.57	Vineyard, Cucamonga. Land is mainly owned by absentees; sale & leaseback to growers is common.	SELF SELF
80	.69	Grove, Greenbelt, outside City limits	P/E
81	1.08	Fremont & Kincaid, nr Riv Airt, 8ac	
80	1.31	Improved lot, Poppy Hill, fronts on McAllister St., 1.22 acres.	SELF
80	1.00 to 2.00	Iowa St. nr Blaine, Blaine nr Iowa, but away from interchange. Arroyo across 3d St. from North HS offered at \$1.00, seemed too expensive to develop; but by 1988, is now fully developed	SELF P/E
80	1.50	Riverside Airport vicinity	
81	2.00	Linden/Canyon Crest, vacant then, next to Bannockburn	SELF NOTES
80	3.62	Brea, Sec Pac rgnl opns center, 31.7 ac	
80	5.00	Lamart/El Cerrito, facing new Cyn Crst Shopping Center, office use, 2-story, following surge in bid prices.	SELF P/E
80	5.00	Ontario Airt area.	NOTES
80	5. - 8.	Industrial sites, typical, L.A.	NOTES
80	12.00	Industrial sites, typical, S.F.	

2.
85
83
86-87

80	17.00	Riverside, bus depot site, o'priced. 1988, Riv.	
80	12.- 15.	CBD hasn't advanced over that.	P/E
		Irvine, industrial site. Up from <\$1. a few years earlier	NOTES
81	20.00	Balboa Island, res., tiny lots 30x60'	SELF
81	23.00	Disney lot, Burbank, 44 ac. Up from .05, 1938.	
81	27.00	Gain of 440x in 43 yrs, annual rate of 15.2%	FORBES
81	30.00	Universal Studios, Univ. City, 420 ac with pvt fwy crossing (leased from State)	FORBES
81	35.- 50.	MGM lot, Culver City, 44 ac. Up to \$52psf, 1986, gain of 73% in 7 yrs, annual rate of 8.1%	FORBES
81	63.00	Nr LAX	NOTES
		Pick holding, old Columbia lot, 18 ac, Hollywood, w. frontage on Sunset Blvd. Up from \$7.78, 1977, gain of 8.1x in 4 yrs, annual rate of 69%	FORBES
81	182.00	Fox Studios, now Century City, 260 ac. Up from 3.79 in 1959, gain of 48x in 22 yrs, annual rate of 19.2%	FORBES
82	200.--	L.A. CBD, s. of 7th. Up from \$20 in 80, increase of 10x in 2 yrs, annual rate of 216%.	LAT
82	300.--	Top price, L.A. CBD	LAT
82	750.--	Denver CBD, max, (before oil collapse)	NOTES
81	1000.--	S.F. CBD, "typical price"	NOTES

Incidental note. Sleepers may come to life. Ia. Ave., Riverside, was asleep in 1980, land available @\$1/sf. Sellers were asleep, not buyers with plans to develop. Now, 1988, booming, even competing with CBD (such as it is) for office market, prices up to \$4-5 psf.

L.A. CBD was asleep until 1977, flight to Orange Cty and SF Valley in full cry. Backflow commenced, rentals doubled in two years.

RANKED DATA GROUP #2: Land Prices, s. Cal. region, 1985-87

<u>Date</u>	<u>Value psf</u>	<u>Location</u>	<u>Source</u>
85	.07	Farms, Blythe, w/ best water rts on Colo R.	
79	.14	Farm rents are about 4.5% of selling price	
85	.08	Raisin land, Fresno Cty.	P/E
85	.35	Same land, 6 years later	
85	.46	Surplus land, MAFB	P/E
		Mockingbird Canyon, Citrus Heritage Park, RA zoning	P/E
		Prices vary around mean, but not much	P/E

85	2.00	Lincoln/St. Lawrence, Riv.	P/E
83	2.18	Cal Commerce Center	P/E
86-87	2.50	Archibald/Mission, s. of Ontario Airpt, Hunt bros. sale to Cal Commerce Center, indl use	P/E
83	2.50	Cal Commerce Ctr, Ont airpt, lowest price	P/E
84	2.75	40 acres to expand Riv airport around Central, Van Buren & Arlington. A political proposal, possibly inflated.	P/E
86	3.00	Adams/Arlington, nbhd shopping	P/E
85	3.00	Hunter Park, indl, Riv.	P/E
86	3.00	S. Gate, old GM plant	LAT
85	3.00	Airport area, Riv.	P/E
84	3.23	Riverside, Park Atlanta 32 acre purchase	P/E
83	3.33	Laguna Niguel, 550 acres of raw land, riparian	LAT
85	3.--	Finished graded pad, Hawarden-Piedmont tract, by Arlington Ave., below grade	psnl
85	4.--	Same, higher up with view About 2/3 of this is raw land value; being in Gage-Poly S.D. considered essential to premium values	psnl
84	3.60	Tri-city Corp. Center, San Bernardino, btwn Waterman & Tippecanoe (distress sale?)	P/E
85	4.50	Covina, Arrow Grand indl pk, suitable for high-tech indy.	LAT
86	4.59	Cal Commerce Center	P/E
86	5.25	Corona, indl land, est	P/E
86	5.50	Ontario Center (old Speedway, n of I-10) Apts & indl use. Nr Cal Comm Center, but different strategy, sell slower for higher uses	P/E
84	5.74	Austin, TX, zoned condo (this mkt soon busted)	LAT
86	6??	Hunter Park indl area. Weak data.	P/E
88	6.35	Corona Auto Center, s.w. Corona nr Serfas Club Drive	P/E
83	6.89	Los Alamitos Race Course, n.w. Orange Cty	LAT
86-87	7.65	12th & Brockton, Riv.	P/E
85	9.--	The South Bay, indl pk high-tech,	LAT
86	9.00	N.e. Orange Cty, indl, est	P/E
85	9.50	Irvine, indl pk high-tech	LAT
86	10.	Olivewood St., Riv., expansion of nwsppr plant, holdouts condemned, value appraised.	P/E
86-87	13.	15th/L.A. River, 2 mi e of Civ Center, Boyle Hts distr	LAT
85?	13.50	Irvine, indl	LAT
84	14.39	Sta. Clara, Marriott's Gt Am theme park	LAT
84	23.	Alleged market value of same, normal sale	LAT
84	14.60	Redondo Beach, Aviation HS, at Manhattan Beach/Aviation Blvds. Upset price.	LAT
85	15.00	CBD, Riv., top sites, often with subsidy to buyer by City Redev. Agency	P/E

84	15.	Tustin, incl becoming office, Valencia nr Newpt Fwy. At about \$15., use shifts to office	LAT
86	15.	Riv. CBD, top sites, subsidy to buyer.	P/E
86	15.00	Wayne Airt, incl, est	P/E
86	15.00	Ontario Center, choice locations for hotel, restaurant, and office use.	P/E
83	15.30	Market St., n.side, 7th-8th, Riv. Freeman & Trenton buy on cuff from Riv. Red. Agency. Probably o'priced, deal collapsed. Riv. is reaching, and missing.	P/E
85	20.--	Westside, L.A., incl high-tech	LAT
80	30.26	The Knoll, Beverly Hills, Kenny Rogers' res, 11 acres which could be divided to raise value.	LAT
85?	42.50	LAX area, incl?	LAT
86	52.	MGM lot, Overland/Wash, Culver City	LAT
86	63.	U.S.V.A. site, Wilshire, Westwood, est.	
75	25.--	Raw wholesale value, for sale to developers.	LAT
84	200.--	Chinatown, L.A., commercial	LAT
84	675.--	Same, 9 years later	LAT
86	3,157.	Downtown L.A., location not given	P/E
		Tokyo, 2.25 mi from center, Ichigaya dist.	
		Sale of B of A branch office on large (for Tokyo) site	LAT

Separate data for boat slips

LAT

Below are top rents from each harbor area

Unit:

Lineal ft/mo

Est. L.V./sf*

83	3.05	Sta. Barbara Marina	
83	4.00	Oceanside Harbor	7.32
83	5.20	Long Bch Marina, Alamitos Bay	9.60
83	6.00	Anacapa Isle Marina, Channel Islands Harbor	12.48
83	6.50	Harbor Island West Marina	14.40
83	7.00	Mission Bay Marina	15.60
83	7.16	Dolphin Marina, Marina del Rey	16.80
83	7.21	Ventura West Marina #2	17.18
83	7.50	Peter's ldg., Anaheim Bay	17.30
83	7.60	Dana Pt. Marina	18.00
83	8.75	San Pedro Marina	18.24
83	10.75	Redondo Bch Marina, King Harbor	21.00
83	13.00	Newport Arches Marina	25.80
			31.20

*Conversion steps:

x12 gives lineal ft/yr rent

/50 gives sf/y rent

x10 capitalizes rent into land price

So multiply each lineal foot rent by 2.4 to get est. L.V./sf

RANKED DATA GROUP #3, s. Calif. land prices, 1978-88

<u>Date</u>	<u>\$/sf</u>	<u>Location</u>	<u>Source</u>
85	.11	Scattered parcels, Chino Hills, no roads	P/E
87	.17	Oak Valley dev, 6250 ac, San Timoteo Cyn, Beaumont, assembled over time from 5 ranches.	P/E
85	.21	Raw land, Carbon Cyn Rd, Chino Hills, parkland acqn. Shell Oil refuses this price on 1100 ac	P/E
86	.31	Navel groves, s. Cal. Cf \$.19 for navel groves in San Joaq. V. Shows location value. Same differential found in other citrus.	Cal Grwr
86	.32	Avo grove, bearing, s. Cal	Cal Grwr
81	.42	Same at max price, 1981 peak	Cal Grwr
77	.21	Same, 1977. So even after collapsing, prices advanced over 1977, showing urban influence	Cal Grwr
87	.35	El Cajon, 260 ac raw res	LAT
85	.35	MAFB proposed sale, nr Riv Nat Cemetery, s side of Van Buren, nr Barton Rd.	P/E
80	.48	Typical homesite, Atlanta, lowest in U.S.	Rose, La C.
83	.55	Moreno V, raw land, 5 yrs later than price below	P/E
78	.53	Victoria Av, Elsinore towards Central, 8 ac raw. Was soon developed, lots 1/2 ac or under.	Self
78	.57	Across Victoria from above, over to Rumsey. Developer went for high density, powerful neighbors objected, Council denied it, land still vacant.	Self
78	.79 ?	Raw acres, Victoria/Central. Looks too high; backup notes missing	Self
88	1.??	Olivewood & Cridge, RCC purchase. Seems low, we have \$10 3 blox toward CBD	P/E
80	1.36	Ontario Speedway to Chevron, 673 ac	P/E
86	1.53	Horseback appraisal, LLU dairy farm, La Sierra campus, Pierce St., 450 ac raw	P/E
88	1.61	Riv, s.e. corner, Trautwein - Barton Rds, 70 ac raw land to Homestead Land Dev Corp for 442 d.u.s, 6.3/acre. (If currently farmed, land subject to C greenbelt limits -- are buyers aware?)	Msre P/E
82?	1.67	Finished lot, Hillcrest dev, Alessandro btw Via Vista / Trautwein	P/E
80	1.72	Typical homesite, average, 40 most populous urban areas, mainland U.S.	Rose, La C.
78	1.75	and up. Res, Victoria CC area, Riv	Self

87	1.86	Corona, 23 ac, Sampson-91	P/E
87	2.11	Corona, 10 ac, Temescal St-Ruston Cir-Magno	P/E
72	2.121	Culver City, surplus land, MGM lot	FORBES
86	2.51	96 ac Gimbel Estate, Greenwich, Ct	LAT
78	2.80	Asking, nr Cyn Cr Mall, apt or office use	Self
83	3.33	Coastline s. of Laguna Beach, raw, 550 ac	LAT
81	3.40?	Est, finished lot, The Orchard dev, Riv	
78	3.50	12/1 ratio, land/floor, 1/2 ac lots	Seller
78	3.58	Eliz. St., Riv nr Magno Ctr, asking	Self
83	3.80	Mary/Indiana, Riv, n.w. corner asking	Self
87	[1.84]	51 ac Sta Barbara spread, Adnan Kashoggi	
87	3.83	Livermore, 10 ac, low density res zoning	P/E
78	4.50	Livermore, same 10 ac, hi dens res zoning	P/E
78	4.81	Tyler St btw Magno & Hole, asking	
88	5.00	Mary/Indiana, Riv, n.e. corner asking, w/ old	
80	5.57	bldg since remodeled	Self
		Asking, Indio CBD, alleged top spot	WSJ ad
88	6.35	Typical homesite, San Diego, highest in mainland	
		U.S.	Rose, La C.
78	7.00	Corona, 17 ac for new auto ctr, Sta Fe sold to	
78	8.--	city of Corona. Prime indl-comm site, Orange	
78	8.00	Cty end of Corona. Seller highly motivated.	P/E
80	8.60	Redlands, State St downtown	Self
88	9.73	Res land, Irvine, finished lots, 4500 sf	LAT
		Beatty St., Riv in Magno Ctr, by Sec Pac Bldg.	
		Asking -- maybe worth less.	
86	13.--	Typical homesite, Honolulu, highest in U.S.	
87	16.53	Mission Viejo, s.e. cnr Oso Pkwy-Felipe Rd, for	Rose, La C.
81	17.22	houses & condos, 144 ac raw, sold by M.Viejo Co.	
81	17.86	to Canadian Bramalea subsid.	LAT
		Office land, San Bern, est.	P/E
		Malibu, Streisand compound, asking	LAT
		Warner Hollywd studio, was Goldwyn, Sta Monica	
		Blvd-La Brea, 10 ac, est	FORBES
		Zoetrope lot, Sta Mon Blvd-Las Palmas,	
		9 ac, est. How good is est? Source not given by	
		Forbes. Bid of 46. was refused by owner	
		F.F. Coppola one year before, partly bcs of	
		useful improvements; but he had bought package	
		2 yrs before that for much less, and usually it	
		is land that appreciates. Goldwyn Studios nr	
		Sta Mon - La Brea brought \$80.35 in 1980, again	
		with stages included.	
87	20.--	Boat slip, Mass. Bay area, dockominium	FORBES
81	20.20	Paramount lot, Melrose-Gower Av, 50 ac, est	BW
87	22.00	Mile s. of SM Fwy, S. Central L.A.	FORBES
81	22.96	Warner Columbia backlot, 140 ac, Burbank, est	Coldwell
81	22.96	Disney lot, Burbank, 44 ac, est	FORBES
			FORBES

88	23.00	Pacif Palisades nr Will Rogers Park	P/E
87	25.00	Shopping ctr land, s. ctrl L.A., M. Luther King Blvd, Washn Blvd, Central, Vt Avs. Up from 5.00, 1977; 17, 1984. Says Max Zatz. Apparel indy pushing south	LAT
81	29.74	MGM lot, Culver City, 44 ac, est	FORBES
87	36.52	Bel-Air, teardown, Alfred Hart estate, 4.4 ac	LAT
87	39.--	Tear-down Bev Hills, below Bev H Hotel	Atlantic
83	39.--	Holmby Hills, cnr Mapleton Dr/Club View Dr, 6 ac, Patrick Frawley to Aaron Spelling (Dynasty), old Bing Crosby estate, teardown	LAT
88	45.--	Hunter's Point, Long Island City, across E. Riv from mid-Manhattan. Up from \$9 in 1985.	
87	48.97	Bel-Air, 3.75 ac, includes house of 14,000 sf, 3 yrs old. Asking price, didn't sell. At the going land price of \$40. in Bel-Air, looks as though the new house is 20% of total value.	LAT
80	50.+/- 10	Land price, central Burbank, Glendale, Valley	LAT
86	50.--	Bel-Air, Kirkeby Estate to Jerry Perenchio, 6.3 ac	LAT
87	50.--	Boat slip, Key Largo, Ocean Reef Club	BW
87	60.00	S. of Calif Mart, 9th & Main, to SM Fwy.	Coldwell
87	69.--	Tear-down, Bel-Air	Atlantic
87	83.??	Holmby Hills, Ted Field home w/house	LAT
88	103.--	Koss R.E. Invs buys 3900 Cross Crk Rd, Malibu Civic Center, sh ctr. Price figured per sf of land, but includes bldgs of unknown value	LAT
80	125.+/- 25	Land price, L.A., "all the prime areas" for office	LAT
88	156.??	Asking, W.R.Wilkerson compound, Bel-Air. Seems very high, may have super bldg, gold cache, or something	LAT
88	321.??	Casa Blanca del Mar, Kahala area of Oahu, res sold to Jap-se corp, 1.5 ac. This one is hard to believe.	LAT
87	2000.--	Micro res lot, indl suburb of Tokyo, 250 sf!	P/E
87	4000.--	Res lot, 750 sf, 1 hr from ctr of Tokyo. At these prices, land of tiny Japan is worth more than that of the entire U.S.A.	P/E
	12,000.--	1987, Tokyo, office land. Retail may go higher, from Tokyo we are never sure what the next shock will be. Corner of Ginza Crossing is considered tops, occupied by Kyukyodo, ancient firm licensed by Imperial Family to produce 6 secret incenses.	P/E
	154,000.???	"Choicest piece of commercial real estate in Tokyo", 1987. Reported in <u>L.A. Times</u> , 5 Apr 88, SCC/Part IV, p.8, article by Douglas Frantz, who sources the Nat. Land Agency of Japan. This number taxes one's credulity, especially when <u>Manhattan Mag.</u> reports retail rentals on the Ginza no higher than in NYC. Data need reconciling.	LAT

BUILDING RENTALS, S. CALIFORNIA
(with a few other regions salted in for reference and comparison)

RANKED DATA GROUP #1, 1980-82
(data ranked by price psf)

<u>Year</u>	<u>Rental</u> <u>psf</u>	<u>Location; comments</u>	<u>Source</u>
80	.05, roughly	Ground only. Irvine Co. land lease, res, detached d.u. A nickel doesn't look like much, but that's 60¢/yr, on a half-ac lot that's \$14,000/yr. Caused a rebellion when Irv Co renewed 50-yr leases at new high level.	LAT
80	.33 +/-	.10 L.A. indl space, prime bldgs.	LAT
80	.50	Old Cabrillo Bldg., 8th & Orange, Riv., ground floor (much less, 2nd fl). Hi vacancy rate.	SELF
80	1.12	Office use, L.A. central, 312 W. 5th St., once Ohrbach's, reconverted	LAT
82	2.75	L.A. CBD, prime high-rise office. Low vacancies. Note how small diffs of rent become large diffs of land price.	LAT
82	3.50 +/-	.50 L.A. CBD, Bdwy/8th, small retail spaces, May Co. store bldg., part of ground floor leased to small retailers, Latino trade, high pedestrian count.	LAT

RANKED DATA GROUP #2, Cal., mainly 1985-87

<u>Date</u>		<u>\$ psf</u>	<u>Location</u>	<u>Source</u>
80	B	.35/mo	Haverhill Ct., res., old Sungold house in Gage-Poly dist	psnl
84	b	.28/mo	City of Industry, new indl bldg	
84	b	.42/mo	Irvine, comparable bldg	P/E
84	b	.22/mo	Riverside, comparable bldg	P/E
80	B	.46/mo	5.50/y, L.A. pkg stall, figuring rentable space only, or 200 sf (\$1100/y)	notes
82		.45/mo	Old L.A. produce mkt, bay, obsolescent	
82		.77/mo	New L.A. produce mkt, bay, proposed 15-year term	LAT
86	b	1./mo	Rents, Park Atlanta bldg	P/E
80	B	1.67/mo	20./y. L.A. office	notes
86	b	1.85/mo	Mission Sq. bldg, Riv.	P/E
86	b	1.75/mo	Riv Center bldg (rented slowly at this level, which had	

.55
.75
.65

P/E 18 78 87
LAT

84	b	2./mo	to be held by contract with lender)	
84	b	2./mo	Robertson Blvd., lowest rtl rents in Bev Hills	
86	b	2.25/mo	Doheny Dr., same	
			Hollywood Bd. nr Highland, retail,	
			after sprucing up, and doubling of rents	LAT
86	b	4.25/mo	Broadway, L.A. CBD top retail (high volume)	LAT
86	b	4.25/mo	Westwood Village, top retail	LAT

MANHATTAN ISLAND, Office data only

85	b	1.25/mo	15./y Old office space, <u>Lower</u> Midtown	LAT
85	b	2.50/mo	30./y New office space, same dist.	LAT
85	b	.25/mo	3./y Old mfg space, same dist. (This differential will	
			not last, is causing rapid conversion)	LAT
84	b	2.33/mo	28./y. Lowest office rent, Downtown Manhattan	
			(s. of Canal St.)	LAT
80	B	2.92/mo	35./y, N.Y. office	notes
84	b	3.17/mo	38./y. Lowest office rent, Midtown	
			Manhattan (23d to 59th, 2nd to 7th Aves.)	LAT
86	b	3.33/mo	Luxury apt., NYC	LAT
84	b	4.17/mo	50./y. Highest office rent, Downtown	LAT
85	b	5.00/mo	60./y. Near highest office rent, Midtown	LAT
85	b	5.42/mo	65./y Super high rent space, Midtown	
			GM bldg at 5th and 59th; top of Pan Am Bldg;	
			Seagrams, Park/52nd.	LAT
86	b	77.30/mo	3-bdrm apt., 420 E. 54th St., NYC. (\$11,000/mo for est.	
			1500 sf, luxury high-rise). Weak data	P/E
86	b	3.60/mo	cheapest apt., same bldg, firmer data	P/E

END MANHATTAN ISLAND

84	b	2.50/mo	Office space over Gumps, 9560 Wilshire	LAT
85	b	2.67/mo	32./y Highest office rent, L.A.	LAT
83	b	4.80/mo	32.L/sfy. London, peak rental, office.	The Economist
83	b	1.50/mo	10.L/sfy. London, 1/2 mi n.or s.	"
84	b	9.00/mo	421 Rodeo Dr, the Rodeo Collection, retail	LAT

RANKED DATA GROUP #3, BUILDING RENTALS, MOSTLY S. CALIF., 1978-88,

<u>Date</u>	<u>\$/sf/mo</u>	<u>Location, comments</u>	<u>Source</u>
82	.175	Pkg stall, L.A. (\$35/stall)	
81	.33	Indl floor rent, L.A. Bare walls, I	LAT
		presume, no util	
78	.37	Net rental, 6900 Brockton (tnt pays utilities)	LAT
78	.39	Redlands rental, old bldg off State St.	Self
78	.41	Eliz. St. rental, off Magno	Self
78	.45	Tallman bldg rental nr Magno Ctr	Self

78	.55	and less, Beatty St. rental	Self
78	.75	Cyn Cr Sh Ctr, retail, "triple net"	Self
87	.65	Arlington/Tyler, n.w. corner, mini-mart, sign posted	Lessor
78	.86	1 Wilshire, L.A.	Notes
87	<1.00	Ordinary office, Hunter Indl Pk, Riv.	P/E
80	1.13	NY suburban, N.J., office	BW
80	1.13	Suburban Houston, office rental	BW
80	1.19	Mid-Wilshire office, L.A.	LAT
80	1.20	Airpt-S.Bay office, L.A.	LAT
88	1.25	Office rents, Long Island City, Queens	Manhattan
78	1.25	Pasadena rental	
80	1.28	Hollywood office	LAT
80	1.29	Glendale, Burbank, Pasadena office	LAT
87	1.30	High-end office user, Magnon Bldg, Chicago-Spruce, 5-story new, announced rental, asking.	P/E
80	1.35	West S.F. Valley, office	LAT
80	1.35	Fox Hill office	LAT
80	1.40	Downtown L.A. office. In 1980 downtown L.A. was just beginning its comeback. By 1988 it has moved back to the top.	LAT
80	1.40	E. S.F. Valley office	LAT
80	1.49	Sta. Monica office	LAT
80	1.66	Beverly Hills office	LAT
80	1.67	Center Houston, office rental	BW
80	1.68	Century City office	LAT
87	1.70	Riv CBD, office, top rent.	P/E
80	1.71	Westwood, West L.A. office, tops in L.A. area then. Up from 1.53 just 6 mos. earlier. Some of these differences are temporary, based on lags in local supply adjusting to shifting demands. Downtown has come back by 1988.	LAT
80	2.00	Typical Wall St., Manhattan, office	BW
88	2.00	Washington, D.C. office rental, pd by Fed Gov for use of defendants, Iran-Contra case (!)	P/E
		[Suburban office rentals in Wash metro area are about half of CBD]	BW
78	2.17	Office rental, NYC, Citicorp bldg top 5 fls.	BW
80	2.21	Office, Lower Fairfield Cty, Ct. (from Stamford you get a nice view of the Twin Trade Towers) Competes with mid-Manhattan	BW
80	2.50	Typical midtown Manhattan, office. In 1975, Fairfield Cty was slightly higher than Manh.	BW
88	2.50	House rental, Bel-Air, 4,000 sf.	LAT
80	2.50	"Top locations" in Westwood, West L.A. office	LAT
82	2.50	Rental, new bldg., L.A.	LAT
82	2.67	4th & Grand, L.A., Crocker Ctr, leased to IBM	Notes
80	3.75?	Midtown Manhattan, 50th-59th, Park & 5th Aves.,	

83	N.D.	top locations. (Source is Robert W. Beeney, of Jones Lang Wootton of London. This number is suspiciously higher than the 2.50 from BW) 4x, rent increase, Melrose, L.A., 1982-83.	LAT
88	4.--	New "higher" (paying) use taking over Montana Av, Sta Monica, retail, up from \$1 in 1978, \$2 in 1983. High turnover, new use	LAT
80	5.83?	London office (source, Robert W. Beeney of a London firm. Higher than rental cited by The Economist, 1983. I suspect an upward bias here.)	LAT
87	6.50	Broadway, L.A. rtl	Atlantic
87	7.--	Av retail rental, Conn. Av, Washn D.C., 8th highest in U.S.	LAT
87	8.50+/-3.50	Bev Hills retail. Retail rents are much more variable than office rents, location is more critical.	Atlantic
87	10.50	Av retail rental, Worth Av, Palm Beach	LAT
87	11.--	Av retail rental, Columbus Av NYC, 77th-81st	LAT
87	12.50	Av retail rental, N. Michigan Av, Chicago, 5th highest in U.S. Supports higher land price than Rodeo bcs Rodeo has low height limit, other Bev Hills requirements, esp parking	LAT
87	15.--	Rodeo Dr retail rental, 4th highest in U.S.	LAT
88	17.--	Retail rental, Rodeo Dr. (Why higher? Year later, different source)	Manhattan
87	21.--	Av rtl rental, NYC, Madison Av, 61st-72nd	LAT
88	23.--	Retail rental, Mad Av, NYC, yr later	Manhattan
87	26.--	Av rtl rental, NYC, E.57th, 5th-Lexington	LAT
88	31.25	Retail rental, 5th Av, NYC	Manhattan
88	? 33.30 ?	Retail, Ginza, Tokyo. Seems very low in light of all we read about land prices in Tokyo. Reconciliation needed.	Manhattan
87	35.--	Retail rental, max, 5th Av NYC btw 49th-58th. Highest in U.S.A.	LAT
87	[25.--	Min retail rental, same area]	LAT
88	35.42	Retail rental, E.57th St, NYC. This year surpasses 5th Av, claims Manhattan Mag. This figure is too much higher than 87 figure of 26.--, above. What is "typical" depends on observer to some degree.	Manhattan
Whoever is the true champ, 35/mo translates into \$425/yr gross, most of which is net land rent, and that translates into several thousand dollars of land price psf, from the retail rents alone. Watch for news of a sale, it should be noteworthy.			
87	25.83	Sales of goods psf, Nordstroms. Sales are what generate rents. \$12.50 is the indy ave.	BW
87	35.--	Sales, Von's grocery store, rough est based on guessing their 193 stores average 40,000 sf	P/E

BUILDING COSTS AND PRICES, s. CALIF., 1978-88
(Single ranking, includes Groups #1-3)

<u>Date</u>	<u>\$/sf</u>	<u>Location</u>	<u>Source</u>
86	9.	Cost of bldg pkg garage (\$4500 per parking space)	P/E
76	22.--	Constrn cost, Riv, detached d.u., ticky-tacky	Self
84	22.06	Mean assessed value of Bev Hills, including bldg. includes nonsalable land like streets, parks etc.	Divisor LAT
81	31.50	Prime indl bldg >100ksf, sale price, L.A.	LAT
81	[13.--	Cost of constructing same]	LAT
78	32.50	Constrn cost, Riv, detached d.u., quality	Self
78	34.	Tallman bldg, asking	
87	34.--	Mini-storage units, sale w/land, Palm Desert	P/E
78	35.	6900 Brockton bldg, asking	Self
88	40.87	Sale of indl-storage bldg, Tolco Inc, Corona, E. Harrison St.-91 Fwy.	P/E
87	48.97	Bel-Air, 3.75 ac, includes house of 14,000 sf, 3 yrs old. Asking price, didn't sell. At the going land price of \$40. in Bel-Air, looks as though the new house is 20% of total value.	LAT
78	50.	Beatty St. asking, small bldg, parking spaces, nr Magno Ctr & Sec Pac Bk Bldg	Self
81	60.00	Prime indl bldg <5ksf, sale price, L.A.	LAT
81	30.00	Cost of constructing same Both up 20% from 80 L.A. suburbs, same prices Prices include land, evidently a lot of it at 6.50 +/-1.50	LAT LAT
80	65.--	Construction cost, office space, L.A. suburbs. Includes \$50 literal construction; \$15. eng., arch., fees, etc.	
80	77.--	Same, downtown L.A.	
83	83.--	1922 S.F. office, China Basin	Coldwell
88	106.--	Geodesic dome church, 7901 S. Vermont Av, Cren- shaw Christian Center. Largest geodesic church in world. 1/2 the cost of conventional bldg. Seats 10,000 at \$850 per pew, + land	LAT
88	110.--	955 N. Lake Av, Pasadena, sale to Chi firm	LAT
87	115.--	Rancho Calif., Winchester Sq. sh ctr, bldgs.	P/E
83	131.--	1906 S.F. office, Morris Plan	Coldwell
82	159.--	1972 S.F. office, 50 Calif	Coldwell
82	163.--	1969 S.F. office, 475 Sansome	Coldwell
88	198.--	Cost of bldg San Diego Naval Hosp on 29 ac site	LAT
82	199.--	1960 S.F. office bldg, 100 Calif	Coldwell
83	205.--	1982 S.F. office, Pac Gateway	Coldwell
83	205.--	1965 S.F. office, 44 Montgomery	Coldwell

83	220.--	1957 + 1972 S.F. office, 100-106 Pine	Coldwell
87	233.--	Cost of Library Twr, n side 5th btw Grand & Flower, L.A.	
83	246.--	1962 S.F. office, 601 Calif.	Coldwell
82	259.--	1982 S.F. office, 353 Sacto.	Coldwell
87	275	Normal price new bldg w/land central L.A.	LAT
87	300.--	Loft, lwr Manhattan, Bank St/Washn St	MANHATTAN
87	322.	#1000 Wilshire, new bldg w/land sold to Jnse. buyer paying top dollar	LAT
83	358.--	1908 S.F. office, 343 Sansome, teardown	Coldwell
83	368.--	1950 S.F. office, 580 Calif, teardown	Coldwell
88	400.--	Est. Studio apt., Trump Parc, 106 Central Park So., about 490 sf, 12' wide	WSJ, ad
87	500.--	Tower 49, Manhattan, Japanese buyer, record high price. No info on what retail is included, or address. If in retail hot spot, this could be largely a land purchase.	MANHATTAN
86	650.	Trump Tower condo, NYC, 56th/5th Ave. Top location; retail price for one apt.	LAT

Note how narrow is the range of these costs and prices, even though the sales include land, compared with bare land prices. Building costs are fairly standard; the difference in values is mainly the land. If we had data on sales of retail floor space it would show high variation, too, because its value is mostly land (location). But office rentals and office values vary only in a narrow range.

FRAGMENTS ON BUILDING COSTS, 1980-82

1. Diminishing returns to intensity of building would be expressed by planners as diminishing marginal FAR. Floor Area Ratio (FAR) is rentable floor space ./ . site area. As buildings get higher, their FAR's increase slower than their height. A 12-story bldg might have FAR of six, for example; a 24-story bldg of 10; etc. Much more space must be devoted to supports, elevators, stairs, utility cores, etc.
2. Low rise office, medium quality, typical cost is \$50 psf (remember this is 1980). At 16% interest (common in 1980) the annual cost is thus \$8/sfy for interest alone. Rental of \$12/y less O&M of 4.00 would leave nothing to justify paying for land. But builders did, anyway. Why? Builders and investors got into those situations expecting rents to rise, and/or interest costs to fall. And that's what happened. Quite a few fell by the wayside but it worked out for those who could hold out during the dry spell. Next time they may not be so lucky.
3. Lamart/El Cerrito, by Cyn Cr Mall, bldg/land ratio, B/L = 800k/240k = 3.3. That is on the high side, overimproves the site unless future rise is expected, as buyer evidently did. 1988, bldg still renting.
4. Construction cost, incl bldgs, L.A. incl area:

11dwel11

\$13/sf, bldgs > 100,000 sf
\$30/sf, bldgs < 5,000 sf

Note economies in scale in building. "Law of the cube" is involved, but "law of the square" even moreso, bcs. these bldgs spread more than they rise (we know people like that, too). Law of the square is more powerful than law of the cube. It's cheaper to build low-rise -- that's one reason people pay for land.

5. Ind. bldgs that cost \$13/sf to build then sell for \$35/sf. The land costs \$8/sf. How does \$8 of land add \$22 to value? Because you need about 3sf of land for 1 sf of building: parking, open storage, sometimes landscaping are the main uses. Mosey through an industrial area, note how much land is devoted to storing mtrls and products under blue sky and stars.

6. L.A. is primarily an industrial city. Wall St. of the West? -- not for a while yet. All the office space in the L.A. metro area, scattered over 100 sq. mi., is only 25% more than -- are you ready -- the rentable space in two buildings, The Twin Trade Towers on Manhattan. Read that again, slowly. Otherwise put, the space in those two towers alone is equal to 80% of all the office space in the L.A. market. Got it? Hard to believe, but that's how it is. Manhattan remains the #1 paper factory. It can afford to lose other industry.

But industrial space, that's diffo. L.A.* has 535m sf of it. That's 12,280 acres of floor. Assuming 3/1 ratio, land/floor, that's 37,000 acs. It also turns over fast, (sales plus leasing), making it the largest industrial r.e. mkt in the U.S. In 1982, 25msf, or 4.7%, was sold or leased. The L.A. indl structure is unusually flexible and dynamic, constantly shifting and adapting.

Orange Cty has another 119msf indl space, 1982. Land/floor ratio there must be higher, at least 4/1, making 476msf indl land (not counting unused indl land). 476msf @ \$12/sf = \$5.7b indl land value in Orange Cty alone. L.A.* then must have some 535/119 or 4.5x as much, or \$25.6b of industrial land. That is a very rough cut, but gives an idea of the values involved.

S. CALIFORNIA LAND PRICES, FLOOR RENTALS & FLOOR PRICES
RANKED DATA GROUP #4

GROUP 4,A: LAND PRICES

<u>Year</u>	<u>\$/sf</u>	<u>Location; comments</u>	<u>Source</u>
87	.13	N of Banning, 598 ac at 3500' elev, "Banning Bench", sale by LLU to Woodcrest Dev, tentative, subject to annexation, city services	P/E
87	.22	Apache Corp to Dole Food Co, 7,000 ac San Jqn V agric w/trees, packing plant	BW;LAT
	[.30]	Same, adding \$24m debt to price of \$68m	LAT
87	.25	Tenneco West, Inc to Dole Food Co (Castle & Cook, David Murdock), 20,000 ac agric, incl trees, packing houses. Presumably nr Bakersfield	BW
87	.74	Riv resl, L.Evans-Sta Ana R. Based on upzoning from open to resl just granted by City before acquiring for open space!	P/E
86	.79	Gen Services Admin to Riv Cty, 163 ac raw, n of Space Center, Mira Loma, Etiwanda Av to Wineville Rd. Way below mkt price. Leased by Cty to pvt parties for interest on .79, using Cty i.r. Sweetheart deal?	P/E
88	1.71	Butler Indl Ctr, n of Riv, Agua Mansa Indl Distr (special exemptions from taxes & regs). Via Cerro off Mkt St n of Sta Ana R	P/E
88	1.83	Asking, Canadian BCE Co, successor to Daon, disposing of 4400 ac in s. Calif., several areas	P/E
87	2.76	Resl impr lot, generic, 1/4 ac, Riv-SB Cties. Up 30% from 1986. Lot is 27% of home cost here: \$111,000. [@ \$60/sf that's 1352 sf, on 10,000 sf lot, L/B area = 7.4/1.	Turpin,LAT
87	2.88	Banning, resl lot, 8,000 sf	Turpin,LAT
87	4.83	Palmdale, 6,000 sf lot	Turpin,LAT
87	6.--	Bargain lot, e. end of Long Island	Newsday
87	6.25	Chino, resl lot, 8,000 sf	Turpin,LAT
87	6.75+/-1.25	Cal Commerce Center asking	LAT
87	8.33	Valencia, 6,000 sf lot	Turpin,LAT
88	11.50 ??	Alleged value, Rancho Calif Rd / Ynez Rd, Temecula. I find this hard to believe. Up from .25, 1977, which is easy to believe. 42% is the claimed annual growth rate.	P/E
87	14.--	Huntington Beach indl, 418 ac inside Bolsa Av, Springdale, Edinger & Bolsa Chica. Kacor dev, up from .38 in 1965, gain of 37x in 22 yrs, 18%/yr	Turpin,LAT
87	14.--	Garden Grove, gnrl, up from 1.49 in 1965, gain of 9.4x in 22 yrs, 11%/yr	Turpin,LAT

87	14.50	Resl improved lot, generic, O.C., "estab hsg area", 1/7 ac. Up 35% from 1986. Lot is 40% of home cost here, 225k for L+B. [@ \$60/sf that's 2250 sf, on 6223 sf lot, L/B area = 3/1, tight squeeze by Riverside standards.]	Turpin, LAT
87	16.--	Harbor Blvd/Sunflower Av, "Harbor Gateway" dev, s. Coast Metro area, Segerstrom holdings	Turpin, LAT
87	17.--	Resl, Greenwich Ct, 1.5 ac lot, generic. Costliest U.S. suburb (Bev Hills not considered a suburb). Report by Relo Broker Network of Chicago	AP
87	17.--	O.C. ordinary resl lot, 5,000 sf. Up 43% from 1986	Turpin, LAT
87	20.43	"Irvine Spectrum", s. Orange Cty, choice spots. Up from \$6.24 in 1983, 3.27x in 4 yrs, 34%/yr, but this o'states overall rise, see below.	Turpin, LAT
87	[7.46]	Same, middling spots. Up from 6.24 in 1983, 4.6%/yr. A wholesale buyer in 1983 probably had to take the bitter with the sweet.	Turpin, LAT
87	23.--	Wayne Airt, office site	Turpin, LAT
87	23.--	"Orange Cty". Up from .64 in 1965, 36x in 22 yrs, 18% annual rate	Turpin, LAT
87	34.--	O.C. coastal, PUD. Here over half the price of a new home is land.	Turpin, LAT
88	40.-- est	Plus yrly mntce fee of .85. Dockominium, 110 lineal ft, City Island, Bronx	Manhattan LAT
87	93.est	L.A., 1st/Alameda, 8 ac White King Soap plant	
88	126.30	Est. land cost, expanding L.A. Convention Ctr, 26 ac. Means moving 400 households and 60 businesses. 11th-Figueroa-Venice-Sentous Strts, s.w. cnr of downtown loop, n.e. of jct of SM and Harbor Fwys	LAT
85	130.--	Lower middle Manhattan w of 8th Av, generic, 30th-48th. Up from 16., 1980, 8x in 5 yrs, 52%/yr. Alleged catalyst: new Javits Conv Ctr., 33d-39th, 11th-12th Avs.	Manhattan
86	219.--	41st St, 9th-10th Avs, Manh. Up from 35.65 in 1983, 6.1x in 3 yrs, 83%/yr	Manhattan
87	343.--	10th Av & 35th, up from 47 in 1981, 7.3x in 6 yrs, 39%/yr	Manhattan
87	1600.--	Resl lot, 90 min from Tokyo	Forbes
87	2300.--	NYC, near top, generic. Turpin sources J. Clark Booth, of Coldwell Banker, O.C. Office	Turpin, LAT

FLOOR SPACE RENTALS, RANKED DATA GROUP #4

<u>Year</u>	<u>\$/sf/mo</u>	<u>Location; comments</u>	<u>Source</u>
88	.008	Price of wtr at source to serve one sf, 4 ft deep (i.e. 4 ac-ft/ac/yr, reduced to price/mo/sf) Price is \$250/af asked by I.I.D. for sale to MWD, and refused.	LAT Observer
88	.29	Warehouse space, Charlotte, N.C., ctrl indl zone	Observer
88	.66	\$53 rush hr pkg fine, L.A., assuming car blocks one 12-ft lane for 400' for 1/2 day	Self
88	.67	"Business Park" space, Charlotte, N.C., ctrl indl zone. "Flexible office, distrib, storage"	Observer
88	.81	Merrill St, midway btw Magno-Brockton, n side, barber shop, old cinderblock, 400 sf	Self
88	.83	Min office rental advertized, anywhere in Charlotte, N.C.	Observer
86	1.17	or 6% of sales, whichever is higher. Riv, Tyler Mall, Doktor's Pet Store. Up from .50 + 6% of sales, 1971-85, orig 15-yr lease. Sum came to .75, i.e. 6% of sales was .25, so sales were \$4.17/mo. (seems low), and rent was 18% of sales. David Galey, former store owner, casual oral communication, is source, may be off.	Self
88	1.67	Max office rental, downtown Charlotte, N.C. S. Tryon St.	Observer LAT
87	2.91	L.A., Vt/1st, mini-mall	Manhattan
88	10.42	NYC 59th/Lexington. 9% of sales, Banana Repub	Manhattan
88	11.25	Times sq.	Manhattan
88	35.--	Asking, no takers for 8 mos. NYC, 58th-5th, s.e. cnr, choicest spots, ground fl. One short block from 57th; old bldg. Up from 16, from Schwarz Toy store, which moved across st to GM bldg.	Manhattan
88	[9.--]	Asking, same spot, entire space, first 3 fls, ave of whole area.	Manhattan

FLOOR SPACE PRICES, RANKED DATA GROUP #4

42	13.--	Pentagon, Arlington, Va, original cost	P/E
88	50.13	Brea, mixed-use indl, Brea Central Corp Center, 509 Central Av	LAT
87	68.--	Cal Commerce Ctr, indl use	P/E
87	77.--	Pentagon, Arlington, Va, renovation	P/E
88	95.--	Est, breakup value, Federated Dept Stores	P/E
87	100.--	Rough estimate, sale of Safeway stores in Calif to Von's	P/E
88	750.--	NYC condo, resl, 30 E. 85th	Manhattan
88	1500.--	Same, penthouse. Height premium is normal	Manhattan