

CHAPTER IV  
FIRST BOSTON OBJECT LESSON

WINTER STREET AND THE SINGLE TAX\*

SHOULD THERE BE A NORMAL RATIO BETWEEN THE VALUE OF LAND AND THE VALUE OF BUILDINGS?

THE following text, diagram, pictures, and tables are designed to illustrate the absurd ratio existing between the values of land and buildings, and the possible application of the single tax principle



MAP OF WINTER STREET SHOWING ESTATES NUMBERED

Total area of lots 83,522 square feet, or one and eight-tenths acres. Total length of street 485½ feet. The numbers in small figures on this plan are the street numbers; the numbers in large figures are the square feet of area in each lot.

\* The statements contained in this chapter are adapted from an address at a banquet given by the Massachusetts Single Tax League in the Hotel Vendome, October 5, 1899, to Representative Business Men of Boston. This was the tenth

to one of the most important business thoroughfares in the heart of the shopping district of Boston, an impressive lesson in the inequalities of the present system of taxation.

In this and the following object lessons the valuations, unless otherwise noted, are those of 1907. The total valuations on both sides of Winter Street including the estates on the Tremont and Washington Street corners were:

## LAND

1898	\$5,142,600	\$61.57 per sq. ft.	\$2,681,989 per acre
1907	8,272,000	97.50 per sq. ft.	4,247,100 per acre

## BUILDINGS

1898	\$675,000	\$8.08 per sq. ft.	\$ 353,836 per acre
1907	605,200	7.13 per sq. ft.	310,582 per acre

Showing for nine years an increase of 58 per cent in land, and a decrease of 11 per cent in buildings.

The assessed valuation of the estate at the southwest corner of Winter and Washington Streets (Fig. 1), was in 1907, \$557,000, of which \$19,400 was for buildings. The land alone, 1,955 square feet, increased from \$342,000, \$175 per square foot, in 1898, to \$537,600,

banquet in a series of seventeen given by the League during the years 1897-1903 to the following bodies: (1) Patrons of Husbandry; (2) Association of Massachusetts Assessors; (3) Labour Organisations; (4) Massachusetts Woman's Suffrage Association; (5) New England Free Trade League; (6) The Massachusetts Clergy; (7) Young Men's Christian Association; (8) Boards of Charities and Corrections; (9) Representative Taxationists; (10) Representative Business Men; (11) Twentieth Century Club; (12) Real Estate Men; (13) The Catholic Clergy; (14) Members Boston Merchants' Association; (15) Political Economists; (16) Professional Economists; (17) Landlords of Boston, followed by (18) A Dinner-Discussion of the Economic Club of Boston, and (19) Lorimer Hall, Finale.

\$275 per square foot, in 1907. This assessed valuation of \$275 per square foot for land is the highest in Boston. In 1893 the estate had been sold for \$350,000. The present building was erected in 1881, but it is no distinct improvement, in height or otherwise, over its predecessor. Is it reasonable that the owner of this land should in fourteen years realise an increase on his investment of 59 per cent (\$207,000 on \$350,000), and business reap little apparent advantage in accommodation during twice or thrice that time?

In 1907 the estate was paying the owner an income of about \$25,000. The Transit Commission took this estate by eminent domain, and settled for it in 1908 for \$630,000 or \$320 per square foot for the land and buildings. After appropriating subway station accommodations, it leased the balance of the estate for the sum of \$28,000 a year and taxes, or \$36,000 as long as no taxes are assessed. This is a return of about 4½ per cent net on the purchase price of \$630,000, on which sum the city is paying—as the money was borrowed—about 4 per cent.

#### **What Better Buildings Mean**

QUERY. Is it not a fact that with up-to-date buildings, having ample rear courts for the receipt and shipment of goods, business might be far better accommodated, and Winter Street be made 20 feet wider in the bargain? Would not up-to-date buildings on Winter Street at least double the business accommodations, and hence be equivalent to doubling the area of the land?

The limited land space of Winter Street commands

a high price because its area cannot be increased. The limited floor space of Winter Street commands a high average price because its area has not been increased.

#### **How Capital Is Handicapped**

QUERY. If capital is the friend of labour why does it not build better buildings on Winter Street? Simply because it cannot get at the land. The land owner, being unable or indisposed to build, and unwilling to sell his land, there is no inducement to capital to put up lasting buildings to be forfeited at the end of the lease. When business from compulsion builds for itself in this way, it puts up the cheapest building that will answer for the time being, instead of what is best for all time. The one hundred and seventy-five or more concerns on Winter Street are in the merchandise, and not in the building, business. Such building is exceedingly disadvantageous to large concerns and impossible to small ones.

QUERY. Were the land holder and the business man of Winter Street "created free and equal"? The extensive alterations and improvements in Shepard, Norwell Co.'s stores (Fig. III), as in many other cases, have been paid for by the tenants, who have also paid all taxes on them. At the expiration of the usual twenty-year lease, all these improvements revert to the owners of the land. Is it fair that the land owner should, in the disposal of his land, have the benefit of the sharpest kind of competition, while the business man is debarred from all kind of competition in the obtaining of new buildings? Is it not about time that all Winter Street build-

ings should, in a comprehensive sense, be "altered to suit tenants"?

**A Striking Illustration of a Common Fact**

The land in Winter Street, which was assessed at less than \$4 per square foot in 1850, was assessed in 1907 at \$130 per square foot. During the fifty-seven years intervening, the income, above taxes, from the land, in rent and appreciation has amounted to an average of 150 per cent annually on the investment of 1850.

**Three Burdens for Business and None for the Landlord**

QUERY. Is that a constitutionally "just and reasonable" system of taxation which constrains the business man of Winter Street to erect at his own expense a basis of taxation, pay the tax itself, and then turn over without consideration the very basis itself to the pocket and profit of another man? Should not the land be taxed until it is at least as profitable to use it as to hold it out of use?

**Leading Questions**

QUERY. Why should not Winter Street, with its concentrated business and highest land values in Boston, have the best buildings, with the best attainable equipment, elevators, ventilation, heat, light, water, sanitation, etc.?

QUERY. Wherever business has up-to-date accommodations, as in the Exchange Building on State Street and the new Tremont Building on Tremont

Street, is it not a fact that the value of the buildings approximately equals or exceeds the value of the land? Should not the value of the buildings at least keep some sort of pace with the increasing value of the land? It is not asserted that Winter Street ought to have buildings worth, like the land, \$97.50 per square foot, but that \$7.13 per foot is too low and means a great detriment to business.

QUERY. If estate holders in their quest of profits had been as dependent on buildings as on land during the past forty years, would Winter Street, the centre of business and of highest land values, ever have lacked building accommodations of a value approximating much more closely to that of the land than has been the case?

QUERY. If the income from the land of Winter Street, including appreciation, were no greater than the income from up-to-date buildings, would the business of Winter Street tolerate to-day its seventh-rate accommodations?

QUERY. Was the land of Winter Street made for the use of business or for the speculative profit of the land owner?\*

Is the business of land owning pure and simple deserving of so much consideration as to merit encouragement at the expense, and to the detriment, of industry and enterprise? If not, is not the present system of exempting it from the burden of taxation unwise and indefensible?

A modern eight story building covering the

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\* By land owner is meant any man in his capacity as owner of land only, independently of his capacity as owner of buildings and improvements or anything else.

location of A. Stowell & Co. (Fig. VI) would afford to business four times as much floor space as now at one-quarter the present average rental per square foot.

The ground rent of 5 per cent on \$130, the assessed valuation, would be \$6.50 per square foot. The rent of a building eight stories in height, costing \$50 per square foot, would be \$2.50 per square foot, making ground rent and rent of building together \$9 per square foot. Subtracting from this \$9 three-quarters (\$6.75) for ground floor and basement, there is left for the remaining seven floors \$2.52 per square foot, or 32 cents per square foot for each floor. Upon the area of 4,630 square feet at \$6.75 per square foot, this means a total rental for ground floor and basement of \$31,253, and for the other seven floors \$10,417, or an average of \$1,488 each. This figure is probably much under what such floors would actually command.

This estate occupied by A. Stowell & Co. costs the city of Boston just as much in the way of public service as it would with the finest possible building. It is this constant expenditure for public service that maintains the value of the land, while adding nothing to the value of the buildings. Further, maintenance is not all. The present value of the land has been paid for, dollar for dollar, by the people of Boston. Why should not this estate pay taxes in proportion to the taxes that are spent upon it?

QUERY. Is it reasonable that the business of A. Stowell & Co. should be required to pay \$30,000 ground rent (5 per cent on \$600,000 worth of

land) in order to secure floor space worth \$12,000 a year?

#### **What Does the Business Man Think of It?**

The following facts and figures are given for business men to consider, being careful to avoid hasty conclusions, and to remember that the more nearly the value of buildings approaches the value of the land the better it appears to be for business.

#### **Comparison by Counties**

Massachusetts has fourteen counties. In every one of thirteen of these counties the assessed value of the buildings exceeds and in most cases largely exceeds the assessed value of the land. In the one other county, Suffolk (Boston, Chelsea, Revere, and Winthrop), containing 49 per cent of the whole land value of the state, the buildings fall far below the land in value.

#### **The Small Towns**

Again, eighty-eight towns (out of Massachusetts's 354 cities and towns), having lowest valuations, show average assessments as follows: of buildings, \$130,000; of land, \$145,000. A single tax assessment based upon site value of uncultivated land and exempting not only buildings, but all other farm improvements, would reduce this average land value for these eighty-eight towns, so far as they represent farm land for assessment, from \$145,000 to probably less than \$75,000. The following figures show Winter Street in company with the three smallest of these towns:



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	BUILDINGS	LAND	RATIO
Mashpee . . . . .	\$46,530	\$140,020	33-100
Peru . . . . .	22,680	84,825	27-100
Florida . . . . .	30,790	119,246	25-100
Winter St., Boston . . . . .	605,200	8,272,000	7-100

For the County of Suffolk, which contains the City of Boston, as well as for the state, no such discrepancy appears. Following are the figures:

	BUILDINGS	LAND	RATIO
County of Suffolk	\$444,441,725	\$673,208,750	66-100
Other 13 counties	949,283,781	679,071,599	140-100
Whole state . . . . .	\$1,393,725,486	\$1,352,280,349	101-100

**Twelve Cities and Towns**

In the twelve following large cities and towns the value of the buildings greatly exceeds that of the land.

	BUILDINGS	LAND	RATIO
Lenox . . . . .	\$2,306,500	\$1,731,375	133-100
Pittsfield . . . . .	8,685,715	6,971,255	124-100
North Attleborough . . . . .	2,411,210	1,256,613	191-100
Gloucester . . . . .	9,388,650	7,886,470	119-100
Haverhill . . . . .	12,392,060	9,772,050	126-100
Lawrence . . . . .	22,854,800	18,587,850	123-100
Lynn . . . . .	29,892,705	23,238,785	128-100
Holyoke . . . . .	18,194,860	15,456,380	117-100
Springfield . . . . .	37,188,415	36,131,445	103-100
Cambridge . . . . .	49,245,700	39,989,600	123-100
Lowell . . . . .	33,293,590	26,389,020	126-100
Newton . . . . .	27,590,325	22,878,475	120-100
Total . . . . .	\$253,445,430	\$210,289,318	120-100

**Seventeen Cities and Towns**

In the following seventeen cities and towns, representative of their class, the valuation of the buildings is in the average double that of the land:

	BUILDINGS	LAND	RATIO
Athol . . . . .	\$2,324,908	\$1,204,097	193-100
Clinton . . . . .	4,246,230	1,967,307	215-100
Abington . . . . .	1,749,697	634,610	275-100
Plymouth . . . . .	5,477,025	2,206,250	248-100
Amherst . . . . .	1,839,225	899,535	204-100
Chicopee . . . . .	6,115,900	2,221,270	275-100
Amesbury . . . . .	2,841,815	1,397,681	203-100
Newburyport . . . . .	5,269,850	2,379,600	221-100
Adams . . . . .	2,598,950	1,085,300	239-100
North Adams . . . . .	7,257,210	4,827,075	150-100
Attleborough . . . . .	5,479,385	3,474,395	158-100
Taunton . . . . .	11,024,365	5,214,520	211-100
Easthampton . . . . .	3,412,906	408,720	836-100
Rockland . . . . .	2,346,350	891,323	263-100
Chelsea . . . . .	14,600,570	8,922,300	163-100
Blackstone . . . . .	1,244,065	760,410	163-100
Gardner . . . . .	3,767,096	1,395,618	270-100
Total . . . . .	\$81,595,727	\$39,890,011	205-100

### An Enormous Discrepancy

QUERY. Why is the value of the buildings on Winter Street, \$605,200, so insignificant as compared with the land value of Winter Street \$8,272,000? Is it not because the present system of taxation (by making partly improved real estate the choicest of all investments) enables the owner to get on such an investment a far larger percentage of revenue, with buildings thirty to sixty years old?

Under the present system the buildings of Winter Street yield in taxation only about one-thirteenth as much as the land, so that with the very moderate advance in rate from \$15.90 to \$17 per thousand upon the land alone of Winter Street its business might to-day have thirteen times as good accommodations in untaxed

buildings, and the city lose nothing in taxes from that locality?

**A Tax That Defeats Itself**

QUERY. Do not the above questions indicate not only that the taxation of buildings has defeated itself by discouraging the increase of buildings to be taxed, but also that the city is deprived of a much larger revenue by thus preventing the large increase of land value in the whole neighbourhood adjoining, which would follow the erection of eight million dollars worth of buildings on Winter Street?

Winter Street is the centre of the highest land values of Boston. It is  $485\frac{1}{2}$  feet, or less than one-tenth of a mile, in length. It has two subway stations of different lines, one at the Washington Street and one at the Tremont Street end. The city is spending eight or ten millions for these subways, besides other millions annually to provide shopping facilities for a million people. The result here is \$8,000,000 worth of land value for the benefit mainly of the land owners of Winter Street, and \$600,000 worth of shopping accommodations for the people. Is the result pleasing or profitable?